

سكاي نيوز

Telecoms: Europe
struggles to
catch up, Page 20

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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D 8523 B

Accum	Sch 18	Indones	Rp 250	Peru	So 50
Brazil	Cr 500	Italy	L 1,125	S. Africa	Ra 500
Canada	Can 100	Japan	Y 100	Singapore	S\$ 40
France	Fr 100	South Korea	W 100	Taiwan	Nt 100
Germany	DM 100	Thailand	B 100	UK	£ 100
Greece	Dr 100	US	\$ 100		
Hong Kong	HK\$ 100				
India	Rs 100				
Malaysia	Mal 100				
Netherlands	Fl 100				
Philippines	P 100				
Spain	Ptas 100				
Sweden	Skr 100				
Switzerland	Sfr 100				
Thailand	B 100				
US	\$ 100				
West Germany	DM 100				
Yugoslavia	Din 100				

World news Business summary

Elections in Cyprus strengthen Kyprianou

Syros Kyprianou, President of Cyprus, consolidated his position in power by scoring a tactical victory against the right wing and Communist Greek Cypriot opposition parties in parliamentary elections. With over 80 per cent of the votes counted, the president's centre right Democratic Party scored 27.3 per cent compared with 18.5 per cent in 1981. The right wing National Rally obtained 34 per cent, compared with 31.9 per cent in 1981. The pro-Moscow Akel's share of the vote fell to 27.08 per cent from 32.76 per cent.

The result was interpreted as an indirect vote of confidence for Kyprianou's policies on the Cyprus problem. Page 22

Cerezo well ahead

Christian Democratic lawyer Vinicio Cerezo, who has survived three attempts on his life, was heading for a 2 to 1 victory for the Guatemalan presidency, against right-winger Jorge Carpio. Page 4

Ceasefire offer

Spain's Government has reportedly offered ceasefire terms to Eta Basque guerrillas, including "generous treatment" to separatists wanted for violent crimes. Bases talks. Page 2

Shultz tour

US Secretary of State George Shultz left for a European tour starting with a visit to London. The UK became the first ally to agree to take part in research in the space weapons defence system. Page 1

Khyber Pass revolt

Officials in Pakistan maintained a news blackout on the situation in the Khyber Pass where President Mohammad Zia ul-Haq said his troops had crushed a tribal revolt. Page 1

Troops patrol state

Paramilitary troops and police patrolled areas of India's western Gujarat state to head off violence during a 24-hour strike against policies favouring minorities. Page 1

State of siege lifted

The Argentine Government lifted a 90-day state of siege, 11 days before it had been scheduled to expire. Page 22

'Telegraph' control

The UK Office of Fair Trading cleared the way for Canadian businessman Conrad Black to take a controlling interest in the Daily Telegraph newspaper. Page 11

No Channel inquiry

UK Transport Secretary Nicholas Ridley firmly ruled out a public inquiry into proposals for a Channel link, saying that it would kill the project. Page 1

Sakharov 'well'

West German newspaper Bild said it had received a video film from the Soviet Union showing dissident physicist Andrei Sakharov in good health. He is living in internal exile in Gorky but his family say he is unwell. Page 1

Nobel pair save life

Heart specialists Yevgeny Chazov (Soviet Union) and Bernard Lown (US), who are to receive the Nobel prize for their work in cardiology, helped save the life of a Soviet television journalist. He collapsed with a heart attack during a news conference. Picture. Page 2

Unesco strike

Bruno de Padirac, the president of Unesco's staff association, said he would start a hunger strike today to protest at what he called the agency's "arbitrariness and inconsistency" in recruiting people. Up to 800 jobs may be cut next year. Page 2

Wall St surges 19.84 to 1,497.02

WALL STREET: The Dow Jones industrial average closed 19.84 up at 1,497.02, a new record. Page 42

TOYKO: Stocks ended mostly higher in extremely thin trading. The Nikkei average added 7.33 to 12,798.23. Page 42

LONDON: Gilts were lower and prices eased on concern over oil prices. The FT Ordinary share index lost 2.2 to 1,115.4 while the FT-SE 100 shed 8.7 to 1,302.2. Page 42

DOLLAR was firmer in London closing at DM 2.535 (DM 2.535), FF 7.73 (FF 7.73), Sfr 2.117 (Sfr 2.117) and ¥203.25 (¥203.25). On Bank of England figures the dollar's index rose to 127.4 from 127.3. Page 35

STERLING lost 1.9 cents against the dollar in London to close at \$1.4585. It also fell to DM 3.5975 (DM 3.73) FF 11.275 (FF 11.4) Sfr 3.0875 (Sfr 3.125) and ¥296.75 (¥300.25). The pound's exchange index fell to 80.3 from 81.1. Page 35

GOLD fell \$5 on the London bullion market to \$317.75 and was \$4.70 lower in Zurich at \$317.85. In New York the Comex February settlement was \$319.80. Page 34

UNION BANK of Switzerland will shortly make a formal application to the Federal Cartel Office to buy a bank in West Germany, according to a spokesman for the Cartel Office. Page 1

BONN approved subsidies totalling DM 320m (\$127.5m) over four years to fund a West German-Dutch venture to develop a new generation of semiconductors. Page 8

SHARE PRICE of Cable and Wireless, the UK telecommunications group, came close to 587p, the level at which tomorrow's offer-for-sale of the government's remaining holding in the group is underwritten. It closed 15 down at 569p. Lex, Page 22; Details Page 36

GLENGATE-KG properties, a joint UK-Japanese development company, has purchased the former headquarters of the Post Office in the City of London, paving the way for a £150m (\$215m) office development. Page 11

CHLORIDE, British battery group, announced resignation of its chief executive after only breaking even in the six months to September 30 against a £5.4m (\$7.8m) pre-tax profit in the same period last year. Page 22; Details, Page 26

SVENSKA Petroleum, Swedish state-owned oil company, and co-operative-owned OK Union, are to form a new company through the merger of their oil interests. Page 23

BAYERISCHE VEREINSBANK, West German commercial bank, substantially increased earnings with a strong boost from share and bond market trading. Page 23

DIGITAL EQUIPMENT of the US, second-largest computer maker in the world, is to form a 50-50 joint venture in factory automation with Coman, machine tools and robotics subsidiary of Italy's Fiat group. Page 23

OLIVETTI, Italian data-processing equipment maker, is about to launch a new company to play a major role in developing data-transmission services in Italy. Page 23

ARRED SAARSTADT, troubled West German wire rods and structural steel producer, could come under the control of four of the country's biggest steel producers under proposals they are studying. Page 24

NORCEM, Norwegian industrial concern that has expanded strongly into offshore activities, announced it has a majority shareholding of 54.3 per cent in Aker, the offshore fabricating group. Page 23

HANS GERLING plans to regain full control of the West German insurance group which bears his name in a deal with entrepreneur Friedrich Karl Flick, which could be worth about DM 500m (\$198.4m). Page 23

Spot prices fall as Opec aims for 'fair market share'

BY RICHARD JOHNS IN GENEVA

MEMBERS of the Organisation of Petroleum Exporting Countries (Opec) agreed unanimously yesterday to risk a fall in oil prices in pursuit of "a fair share of the world oil market".

In reaction, spot market prices plummeted, with a deal for Brent blend, the most important North Sea crude, done at \$28.50 per barrel compared with a recent high of \$30.10.

At the end of the three-day meeting, senior delegates were insisting that Opec was not declaring a price war against non-members such as the UK, whose unrestrained output has been forcing down prices and costing Opec market share.

Nevertheless, one respected oil company official said: "If there is no response from them (non-Opec producers), then prices will inevitably fall".

The three-day meeting did not settle precise ways and means of securing higher sales. Instead, it set up a committee comprising the chief delegates of Venezuela, Indonesia, Iraq, Kuwait and the United Arab Emirates to produce recommendations which are expected to be examined during the next three months.

Creation of this committee was partly a device to disguise differences over the extent of the risks to be taken in what all acknowledge to be a hazardous strategy.

Algeria and Iran were understood to be particularly strongly opposed to any collective renunciation of the selling rates set last January and revised in July. Venezuela was also less than happy with the shift away from price maintenance.

In theory, the official selling prices remain in force as does the ceiling on Opec output and the related system of quotas, which was agreed in October 1984 and amounts in total to 15m barrels a day (b/d).

But delegates were clearly regarding this figure as a "floor" from which Opec will push upwards for a greater market share.

The consensus among members, including Saudi Arabia, was that collective output should be no less than an average of 17b/d with seasonal adjustments up to 18m b/d in the winter and autumn, falling to 16m b/d in the spring and summer.

Seasonal variations of this kind were part of compromise proposals put by Venezuela.

"We... are going to defend our market share, and our resolutions in the past will be reaffirmed," said Dr Subroto, Indonesia's chief delegate, with his usual dogged cheerfulness.

Opec still harbours the hope that other producers will co-operate in trying to maintain prices by curbing their output. But implicit in the communiqué issued yesterday is the threat of a price war if they do not. As yet, however, Opec members have no consensus as to how far they will go in confronting non-Opec producers, notably the UK, and to a lesser extent, Norway.

Mexico and Malaysia attend this meeting as observers. Their delegates gave the impression that their Governments were still prepared to collaborate with Opec in restraining exports.

One chief delegate said it was now "extremely difficult to compress downwards from 18m b/d" - Opec's actual rate recently. Output has been boosted by the need to rebuild oil companies' stocks, and a premature bout of cold weather. All members, with the exception of Venezuela, Saudi Arabia, and Algeria have clearly been in breach of their quotas under the production sharing pact.

Opec had difficulty in setting up the "planning" committee, with Sheikh Ahmed Zaki Yamani, Saudi, as chairman.

Continued on Page 22

Lex, Page 22; oil prices, Page 34; London market report, Page 38

Sterling sharply lower on oil fears

By Philip Stephens in London

FEARS ON foreign exchange markets of a possible oil price war brought sizeable losses for sterling yesterday and dampened hopes in the City of London of an early cut in interest rates.

The pound, which was also affected by a slight rebound in the value of the dollar, lost ground against all leading currencies in response to the statement at Opec's meeting in Geneva.

The implied threat to prices caused heavy selling in early trading. Sterling stabilised later in the day.

The pound closed in London 1.9 cents lower at £1.4585. Against the D-Mark it lost 3.25 pfennigs to end at DM 3.5975, the lowest level since March. The sterling index, which measures its value against a basket of currencies, fell by 0.5 points to 80.3.

On the London money markets interest rates firmed slightly in response to the weaker pound, dimming hopes that the UK Treasury might seek a small cut in interest rates to coincide with this week's sale of its shares in Cable and Wireless.

The possibility of lower oil prices has also created renewed uncertainty inside and outside the Treasury on the scope for possible tax cuts in next spring's budget.

Money markets, Page 35

Pretoria debt payments 'face delay to 1990'

BY PETER MONTAGNON IN LONDON

SOUTH AFRICA would not start repaying some \$14m of debt caught up in its payments standstill until 1990, according to confidential rescheduling proposals circulated to main creditor banks at the end of last week.

The proposals, drawn up by South Africa's debt co-ordinating committee and passed on to creditors by Dr Fritz Leutwiler, the Swiss mediator between Pretoria and its bank creditors, also call for the current standstill to be extended until the end of March while a formal arrangement is reached.

At their core is a suggestion that South Africa needs four years and four months leeway from the moment the standstill was effective on September 1. Only after that would phased repayment of the debt begin.

Bankers who have seen the proposals say that many aspects are likely to prove unpalatable to creditors generally. They say they regard them as an initial shot in a lengthy negotiating process.

Many bankers had been hoping that South Africa's current-account balance-of-payments surplus would allow repayments to begin after a much shorter period, with possibly even a downpayment of principal at the start of the rescheduling as a gesture of goodwill.

However, the continuing weakness of the rand and worries about the effect of anti-apartheid opinion on South Africa's export performance have apparently prompted the Standstill Co-ordinating Committee, headed by Dr Chris Stals, to conserve as much foreign exchange as possible.

The documents have so far been sent only to the 20 chief creditors present at the first meeting between the banks and South Africa, chaired by Dr Leutwiler in London in October. A further meeting to discuss them is still expected early in the new year, although no date has been set.

Meanwhile, expectations are growing that Dr Leutwiler will visit South Africa shortly to push home to leaders there his belief that a successful rescheduling arrangement will also require sweeping political reform.

A spokesman for the former Swiss central banker, who now chairs the Brown Boveri industrial concern, said: "I do not exclude that Dr Leutwiler is going there to discuss - things which he has already criticised publicly." However, he declined to confirm that such a trip was definitely planned or to comment on the debt proposals.

Still unclear as details of the proposals began to filter out yesterday were the speed with which the debt would be repaid after 1990 as well as the interest rate South Africa would pay on its rescheduling, although South Africa is understood to have left some leeway for negotiation on that point.

Further clarification may be forthcoming when South Africa announces details of the extension of the standstill, probably as early as today. South Africa, with total debts of some \$24bn, was forced to freeze most debt repayments after heavy withdrawals of short-term credit lines during the summer.

Anthony Robinson in Johannesburg writes: The rand firmed marginally against the dollar in response to the additional exchange-control measures that came into effect yesterday and closed at around 37.35 US cents compared with the Friday night close of 36.80.

At one point the currency reached 38 cents, when dealers were surprised to see the reserve bank step in as a buyer of dollars. The surprise stemmed from the fact that dealers had understood that the point of the new measures was to give a psychological boost by lifting the rand from its previous floor.

The debt moratorium covers repayment of principal on foreign debt which leaves an estimated \$200m to \$300m in interest payments due for repayment around the end of the year. As a result, dealers are sceptical about any substantial improvement in the currency in the immediate future.

December is traditionally a slow month for trade and the new requirement obliging exporters to repatriate earnings within seven days is not retroactive, so the market is not expecting substantial inflows from that source.

Meanwhile, the new rules by which the reserve bank pays mining companies in rand for their gold bullion means that an estimated \$1.8m daily will no longer flow on to the market from the mining companies but will flow instead into the reserves.

GAF plans \$4.6bn Carbide bid

BY PAUL TAYLOR IN NEW YORK

GAF, the US special chemicals and building products group, said yesterday that it planned to launch a two-stage takeover bid for Union Carbide, the beleaguered chemicals group. The offer values Union Carbide at about \$4.6bn.

The bid appears to represent a bold attempt by GAF and Mr Samuel Heyman, GAF's chief executive, to take control of a group more than 10 times its own size, but one which has foundered after the toxic gas leak which killed more than 2,000 last year at its plant in Bhopal, India. Union Carbide faces billions of dollars worth of lawsuits over Bhopal.

GAF has already built up a 10 per cent stake in Union Carbide - triggering a wave of speculation on Wall Street about a possible takeover attempt. Shares in both companies jumped sharply yesterday after GAF's announcement. Union Carbide shares were quoted up 33¢ at \$66.4 while GAF's stock soared by 58¢ to \$56.7 in very active trading.

Union Carbide, which recently launched a major restructuring programme including asset write-downs, divestitures and a plan to buy back 14 per cent of its shares in an apparent attempt to head off a takeover bid, said yesterday that it had no immediate comment on GAF's proposed offer.

Under the terms of the proposed bid, detailed in a letter from Mr Heyman to Mr Warren Anderson, Union Carbide's chairman and chief executive, GAF said it intended to launch a cash tender offer for 48m Union Carbide shares, which, together with its existing 8.5m shares, would lift its stake to about 56 per cent.

If a satisfactory merger agreement is reached, GAF said that it would then acquire the remaining 20 per cent stake at the same price in cash. Otherwise it would complete the merger by exchanging the remaining shares for preferred stock with the same value.

At the proposed price, the offer represents a substantial premium over analysts' estimates of Union Carbide's book value of about \$60 a share.

In his letter to Mr Anderson, Mr Heyman said: "We believe that GAF's offer represents a fair price for the shares of Union Carbide and is in the best interest of its shareholders. The offer price is nearly twice Union Carbide's share price one year ago, more than 150 per cent of GAF's initial acquisition cost of \$43¢ per share less than six months ago, and approximately 18 times Union Carbide's annualised net earnings - excluding extraordinary items - over the last four years."

The offer is conditional on a number of factors, including GAF's financing for the deal. A merger would also require Justice Department clearance under the Hart-Scott-Rodino Antitrust Act.

Mr Heyman, who won control of GAF two years ago after a bitter 10-month proxy battle, said GAF planned to finance the offer with a \$1.5bn bank credit line, which has been arranged, and the private placement of debt securities arranged through Drexel Burnham Lambert, the Wall Street investment bank which specialises in placing high-yielding, low-quality "junk bonds". Mr Heyman said Drexel Burnham was "highly confident" that it could arrange the financing.

In his letter to Mr Anderson, Mr Heyman emphasised that GAF "would prefer a negotiated transaction" but added "we wish to stress upon you the bona fides of our intentions... and GAF's determination to see this through to a successful conclusion."

Since Mr Heyman took over, GAF's earnings have rebounded strongly. Last year the group reported net earnings of \$58.7m on sales of \$731m against a loss of \$3.8m on sales of \$699m in 1983.

Lex, Page 22; Men and Matters, Page 20; Harder life for corporate raiders, Page 22

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Lex, Page 22; Men and Matters, Page 20; Harder life for corporate raiders, Page 22

GEC launches Plessey offer

BY CHARLES BATCHELOR IN LONDON

THE General Electric Company (GEC), Britain's largest electronics and electrical group, last night ended a week of mounting expectation with the formal launch of a £1.18bn (\$1.73bn) takeover bid for Plessey, the defence and telecommunications company.

GEC announced last night that it would be making an offer worth 183p for each Plessey share, 13p below Plessey's closing share price. GEC first announced last Tuesday that it was interested in merging with Plessey at a price of 180p per share.

GEC is offering 320p cash, one new ordinary share and £1.80 nominal of 7½ per cent convertible loan stock for every four Plessey shares. GEC's shares fell 2p to 172p ahead of the formal bid while Plessey fell 8p to 176p.

Confusion surrounded last night's bid announcement, which was released prematurely from the company's London headquarters at 6.30pm. GEC had intended to make its announcement at the start of business in the London Stock Exchange today.

Plessey did not immediately respond to the GEC bid, but last week it rejected GEC's approach and countered with a proposal to buy out GEC's interest in the production of System X digital telephone exchanges. The companies have co-operated on this programme since the withdrawal of STC as a third partner in 1982.

The formal GEC bid came on the same day Plessey announced a reshuffle among its team of professional advisers who will be assisting it in its defence.

Kleinwort Benson will remain Plessey's main merchant bank but First Boston has been brought in to advise on international aspects of the defence.

Plessey's decision to retain a US investment bank prompted speculation it may look for a "white knight" among the large international electronics groups to rescue it from the unwelcome GEC approach.

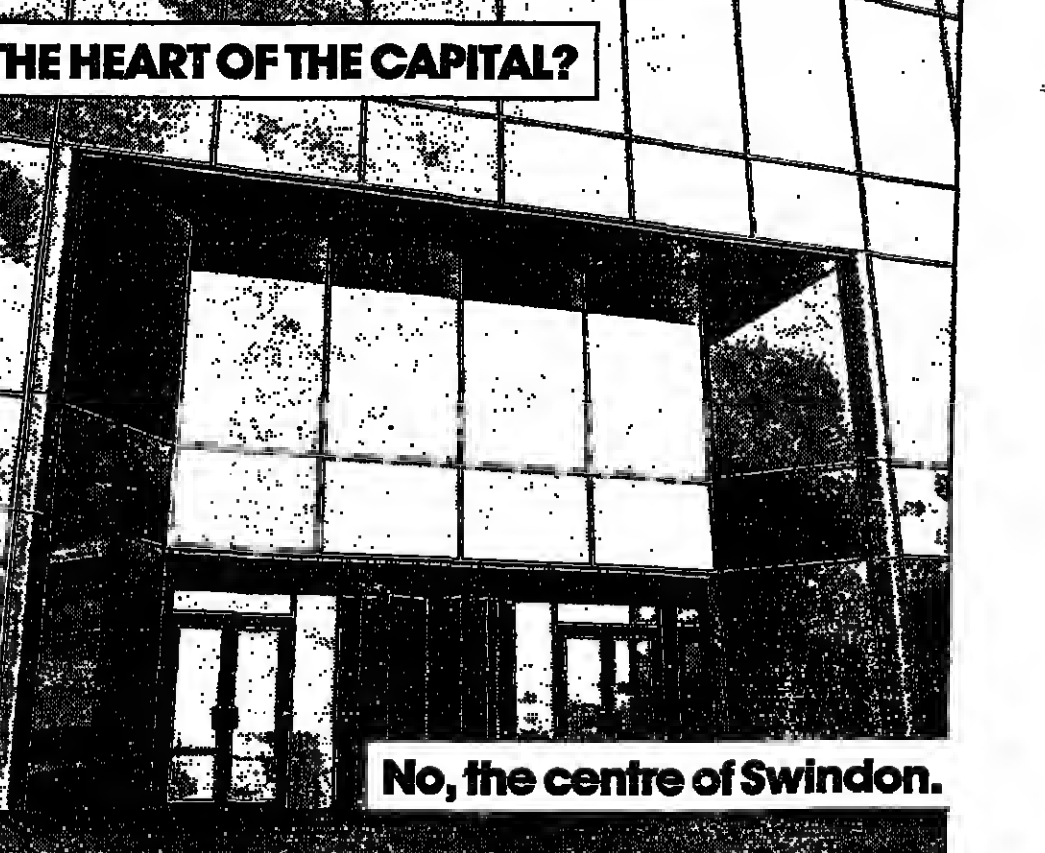
Plessey has replaced Rowe & Pitman as its stockbrokers because the firm also acts for GEC. Phillips and Drew has been taken on in Rowe & Pitman's place.

Plessey has also appointed Linklaters & Paines as its legal adviser in place of Oppenheimer Nathan & Vandyk. Both GEC, with annual turnover of nearly £6bn and Plessey, with sales of £1.42bn, are prominent suppliers of equipment to British Telecom and the UK defence ministry.

The companies are, respectively, eighth and 11th in the world telecommunications equipment league, well behind AT&T, GTE, and ITT of the US, Siemens of West Germany, Nippon Electric of Japan and Northern Telecom of Canada.

GEC believes a combined group would have sufficient resources to finance the development of new electronic and telecommunication systems and to compete in the European and US markets.

The profits of both companies have been under pressure, partly as a result of tougher conditions imposed by British Telecom on its equipment suppliers. Plessey's pre-tax profits fell 13 per cent to £70m in the six months ended September and GEC's profit fell 13 per cent to £269m in the same period.



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EUROPEAN NEWS

Community economic advisers urge greater labour flexibility

BY QUENTIN PEEL IN BRUSSELS

EEC FINANCE ministers were yesterday presented with a controversial economic report urging more flexibility in labour markets, including wider wage differentials and holding down the non-wage costs of labour, like social security contributions.

The report of the top-level Economic Policy Committee, made up of senior economic advisers from the EEC member states, endorses the arguments that rigidity in the labour market is a key factor in the high level of unemployment throughout the Community.

It urges not only a slower growth of real wages to increase European competitiveness, but also action to reduce regulation of the labour market, such as strict hiring and firing rules, setting minimum wages, and excessively rigid safety-at-work requirements.

The preliminary report of the committee was presented yesterday by the chairman, Mr Ian Byatt, the deputy chief economic adviser to the British Treasury.

"Our broad conclusion is that labour market flexibility and labour mobility are falling at the very time when we need to increase flexibility," he said. "A lot of discussion has been on wage moderation. We wanted to go further, to look at the degree of mismatch in rewards, and the need for greater wage differentiation between industries, skills, age and sex."

The committee identifies a "productivity paradox" where greater productivity results simply from job cuts, because unit labour costs are too high relative to unit capital costs. Better organisation of work, more flexible hours (provided that does not cost more), and greater ease in engaging workers for short periods, would be alternative ways of increasing productivity without losing jobs, it says.

To improve labour mobility, EEC governments need to promote retraining, as well as training, to provide more flex-

ible housing policies (rent controls are seen as a rigidity), more adaptable pensions and standardised qualifications for trained workers, the report says.

Greater flexibility in wage differentials would include wider differences to reflect the relative scarcity of labour between new entrants to jobs and long-serving incumbents.

"Wage flexibility does not necessarily mean income differences where you have several wage earners per household," Mr Byatt said.

The report warns that while early retirement may seem an attractive alternative to job cuts, it also increases social security costs and therefore ultimately the social security burden on employment.

The finance ministers yesterday instructed the Economic Policy Committee to continue its work, and seek to identify more specifically those areas of labour rigidity needing most urgent action. The full report is likely towards the end of 1986.



The Soviet and US heart specialists at the centre of a diplomatic storm over this year's Nobel Peace Prize yesterday appeared to have served the life of a Soviet television journalist. Reports from Oslo, Mr Lev Norvikov suffered a heart attack during a stormy news conference he attended to photograph the doctors who will today accept the prize, Yevgeny Chazov and Bernard Lown.

He and Dr Chazov are shown above working desperately on Mr Norvikov.

Danes keep EEC partners on tenterhooks

BY HILARY BARNES IN COPENHAGEN

DENMARK IS expected to keep the European Community in suspense until after next week's meeting of the Council of Ministers on December 16-17 before deciding whether to accept the reform proposals laboriously negotiated at last week's Luxembourg summit, and its issue is likely to prove a cliff-hanger.

The decision will be determined by the attitude of the Social Democratic Party, which, although in opposition, normally controls a centre-left foreign policy majority against the minority Folketing (Parliament).

The party's initial reaction to the summit was not as negative

as pessimists feared, but it was not positive either. Its parliamentary group seems to be hesitating between its semi-centrists, who have led the party over the past three years to initiate a series of reforms on the Government over NATO policy, and its Atlanticist traditionalists.

The decision could depend on the mood of the moment. Diplomats here are hoping, for example, that when the Luxembourg summit presents the summit proposals to the European Parliament tomorrow, it will not do so in terms which cause the Social Democrats to conclude that the Government's assurances that the proposed reforms really have little prac-

tical significance are not to be trusted.

The issue causing the party most trouble is the proposal for modifying the role of the European Parliament. The Folketing decided in 1984 that it could not accept an extension of the Parliament's powers.

The Government argues that as the Council of Ministers will continue to have the last word, the Luxembourg proposals do not depart from the Folketing's policy.

The second stumbling block is the Luxembourg agreement permitting majority voting on internal market issues. It guards were written into the agreement, mainly to appease the Danes, so that national

regulations for the protection of the environment and the uniform and environmental over Community standards in cases where national regulations are more stringent.

The Social Democrats have said they will consult the unions and environmental organisations before making up their minds.

There was consternation in the Community—and in the Danish Foreign Ministry—when the Social Democrats told the Government last month that none of the reform proposals likely to be disclosed in Luxembourg was acceptable and that if the Prime Minister agreed to them, he could count on being defeated.

Hungary to seek higher productivity

By Patrick Blum in Vienna

HUNGARY'S BUDGET for next year aims to overcome the downturn in the economy by increasing exports and raising productivity. Unions have also been called on to improve efficiency and labour discipline, according to the MTI news agency.

National income is expected to increase by only 0.5 per cent this year with industrial production rising by a modest 1.5 per cent. Construction output has declined and agricultural production will be 1 per cent lower than planned.

A Communist party report says industry must increase its contribution to national income next year and raise exports significantly. National income has been set to grow by 2.3-2.7 per cent and domestic consumption by only 0.5 per cent, the same as in 1985. Consumer prices will be allowed to rise by 5 per cent although controls will be stricter to prevent unjustified rises, MTI says.

Industrial output is set to rise by 2.5 per cent and that of agriculture by 3.5 per cent. Investments will be directed at making technical improvements, expanding exports and raising energy efficiency.

Czech Premier hits out at management

BY LESLIE COLTIN IN BERLIN

EFFORTS to speed up introduction of new technologies in the Czechoslovak economy have met with poor response, according to Mr Lubomir Strougal, the Prime Minister. Unravelling targets in the next five-year plan, he blasted management for "shortcomings, weaknesses and bottlenecks" in economic performance.

Mr Strougal noted that capital investments were still

being used mainly to expand the manufacturing base instead of modernising obsolete equipment. Poor progress had been made in reducing consumption of new materials and energy.

"Old habits" persisted among many leading government and management officials, which were a "serious obstacle" to achieving targets. He spoke of the need to develop "socialist entrepreneurship" while criticising the way top managers

were selected and deployed. Mr Strougal has a reputation in Czechoslovakia of being a pragmatic minded technocrat but he was unable or unwilling to shake up management by introducing meaningful reforms. The Czechoslovak Communist Party fears that it would again cause political forces to renege after the abortive Prague Spring of 1968.

In the coming five-year plan, Mr Strougal said, the goal

would continue to be to reduce industry's share in national income (equivalent to GNP minus services) by curbing extensive industrial growth. The economy was to grow 3.5 per cent next year while industrial output would rise only 2.6 per cent in the next five years, he said, the economy would expand "at least" 17 per cent to 19 per cent compared with 11 per cent growth in the current five year plan.

Dutch hearing begins on legal aspects of cruise

THREE Dutch experts on international law told the Dutch parliament yesterday that they saw no legal barriers to deployment of new Nato cruise missiles in the Netherlands. AP reports from the Hague.

On the first day of a parliamentary hearing, Professor Pieter Kuiper of Amsterdam University said the US-Dutch treaty governing deployment was "not in conflict with existing rules of international law."

The hearing, conducted by the Dutch parliament's foreign affairs, defence, and constitutional affairs committees, comes more than a month after the centre-right Government of Mr Ruud Lubbers, Prime Minister, decided to accept deployment of up to 48 Nato cruise missiles in the Netherlands in 1988.

That decision ended six years of discussions over the deployment is-

Gonzalez discusses accession

WITH SPANISH entry to the European Community just three weeks away, Mr Felipe Gonzalez, Spain's Prime Minister, arrived in Brussels yesterday for talks with European officials and the Belgian Government, Reuters reports from Brussels.

During his two-day visit, Mr Gonzalez will meet Mr Jacques Delors, President of the EEC Commission, to discuss final preparations for Spain's accession with Portugal on January 1, and then apply to join the 12-nation group.

He will also see King Baudouin of Belgium and Mr Wilfried Martens, Belgium's Prime Minister, and attend final events in the four-month "Europalia" cultural extravaganza which has included art, music and dance shows to mark Spanish entry.

Diplomats said the visit was largely ceremonial and unlikely to

touch in detail on difficult problems such as Spain's new year referendum on continued Nato membership and the adoption of the Spanish economy to EEC membership.

One problem that could receive attention is the impact of Spain's entry on relations with other trading partners such as the US, which is worried about access to the important Spanish market, especially for cereals.

Commission and Spanish officials have been working round the clock to complete legal preparations for enlargement, including the adaptation of international agreements.

Mr Gonzalez could well discuss with Mr Delors what roles are envisaged for the two Spaniards due to join the Commission in January, diplomats said.

The Commission said yesterday that decisions on the new share-out of responsibilities would be taken

when the two Spaniards and one Portuguese join their 14 colleagues at their first year meeting on January 3.

Mr Gonzalez has nominated Mr Manuel Marín, Spain's main EEC entry negotiator, to one of the EEC seats on the Commission. The second seat will go to Mr Abel Matutes, vice president of the main opposition Popular Alliance Party.

Mr Delors said at the weekend he would give up responsibility for two departments he has run directly since taking office last January. These are monetary affairs—handling the European Monetary System—and structural funds, concerning aid programmes for poorer regions and social groups.

Other commissioners will also give up some of their responsibilities to make room for the newcomers, diplomats said.

W. German industrial production rises 2%

West German industrial production rose a seasonally adjusted 2 per cent in October, the Economics Ministry reported yesterday, writes Peter Bruce, from Bonn.

The Ministry said the October production figure would probably be revised upwards later, as happened in September, when provisional figures were lifted one percentage point.

The Ministry said seasonally adjusted industrial orders also rose 2 per cent in real terms in October. However, the combined September and October figures represent a fall of 2 per cent from the previous two months.

Domestic order volume in September and October, this year were 5 per cent higher than the same time last year, while export orders grew 3 per cent in volume in the same period. For most of this year, and last, export orders grew faster than domestic orders.

The Ministry said production in the troubled construction industry had shown a particularly sharp 7 per cent increase over September, but warned that this might have been due to changes in the way production statistics are assembled. The Ministry's own figures show construction in October and September was the only area of industrial production to fall against output during the same two months last year.

Papal challenge to Church reforms fails to materialise

BY JAMES BUXTON IN ROME

THE Catholic Church's two-week special synod, which ended here on Sunday, appears to have defied expectations that it would be used by Pope John Paul II to attempt to reverse some of the changes made after the second Vatican council 20 years ago.

Nor, as some had predicted, was it the scene of public conflict between the conservative and liberal wings of the church. Instead, it appears to have been exactly what the Pope intended: an opportunity to celebrate, examine and promote the conclusions of the three-year-long council at a distance of two decades.

The 19-page report on the state of the Church drawn up by 155 bishops who took part in the synod suggests that the Pope's view of the whole, a happy and encouraging occasion. For the Pope, it was an opportunity to listen, as representatives from all over the world expressed their views not just on how they saw the Church in general but on the specific problems and difficulties they face.

The most important conclusion is that the Vatican should now prepare a catechism of Catholic beliefs which will be universal to the Church. Given the great cultural differences within it this could be a difficult undertaking, if the resulting

document is to be sufficiently detailed to be valuable. However, all but six bishops voted for this attempt to codify their beliefs which appears to represent a search for unanimity after the diversity of the recent past.

The synod also decided to study the role of episcopal conferences, the groupings of local bishops which sprang up following the Council. These have taken away some of the authority of Rome on detailed matters of interpretation of the Pope's wishes—a fact for which they have been criticised by some conservatives.

The report recognises their value but also notes somewhat cryptically that episcopal conferences must take account of the "infinite responsibility of each bishop to his own particular church."

On the state of the Church itself, the synod shows in its report a mixture of optimism and pessimism. It notes the paradox that in "the so-called Church," where the teaching of the Church is explained in a broad and deep way, "disaffection often shows itself. Where the Church has been reduced to a totalitarian ideology, where it raises its voice against social injustices, it seems to be accepted in a more positive way."

Bonn set for new move towards SDI next week

BY RUPERT CORNWELL IN BONN

THE West German Cabinet looks likely to take a preliminary decision in favour of participation in the US space-based Strategic Defence Initiative (SDI)—Star Wars—at the end of the pre-Christmas session next week.

However, despite Britain's signature of an agreement with the US last week, a formal understanding between Bonn and Washington—most probably in the shape of an exchange of letters—will not be concluded until early 1986.

This will come after a further mission by West German Government officials to finalise details of guarantees to protect the interests of the country's companies involved in the project.

In any case, the differences within the Centre-Right coalition of Chancellor Helmut Kohl, which have helped hold up a decision for so long, are still vivid.

Mr Volker Ruehe, deputy floor leader of the Chancellor's CDU/CSU grouping in the Bundestag, declared at the weekend that a decision in

principle to back participation had been taken "long ago."

But this was immediately disputed by other Christian Democrat parliamentarians, while a weekend congress of Young Liberals reflected the hostility to SDI in parts of the Free Democrat (FDP) party within the coalition.

The Young Liberals refused to countenance either a formal agreement, or the more modest alternative of an exchange of letters.

Apart from the resistance within his Government, led by Mr Hans-Dietrich Genscher, the Foreign Minister, Kohl has also to reckon with profound misgivings within the scientific community in West Germany.

It became known yesterday that 2,500 scientists have written jointly to the Chancellor, expressing their view that SDI would reduce, rather than augment, world security. Special hearings held by the Bundestag's defence and Foreign Affairs committees have thus far revealed a majority of expert witnesses against both SDI and West German involvement.

Spain begins more talks on future of US bases

BY DAVID WHITE IN MADRID

SPANISH AND US officials yesterday began a second round of "exploratory conversations" on the future of US military bases in Spain in the light of Madrid's desire for lower force levels. The two days of talks follow a distinct hardening of tone by Mr Felipe Gonzalez, the Spanish Prime Minister. He wants reductions in exchange for keeping Spain in Nato.

Before holding its planned referendum on the issue next March, Mr Gonzalez's Socialist Government wants a US commitment to negotiate the strength of its four bases. The US is resisting until Spain's Nato

status is resolved.

Delegations headed by Mr Thomas Enders, the US ambassador, and Mr Maximo Cajal, a senior Spanish Foreign Ministry official, yesterday exchanged the conclusions of studies which they agreed to draw up at their last meeting in October on the role played by Spain and by the bases in Western security. The Spanish argument is based on changes in security needs since the bases were set up 30 years ago.

The agreement under which the US has about 12,000 military personnel in Spain was revised in 1983 and comes up for renewal in 1988.

When cows cross without a visa, beware of international incidents

Rupert Cornwell, recently on the frontier near Duderstadt, tells a tale of two Germanys

THE HOLLOW matinee words issuing from the cassette recorder might have come from another planet. Instead of just a few hundred yards across the road at a German border control post near the pretty little town of Duderstadt.

"We have a message for you," a voice intoned without emotion. "In frontier section 27, subsector E, at frontier point 30, 13 cows broke loose, violating the sovereign territory of the German Democratic Republic between 15.40 and 16.35. At 20.05 four cows were still there. You are requested, it continued, "to take measures to prevent such violations of East German territory. End of text. Please pass this message on."

Hubert Schneemann, in charge of the post on the West German side of the border, turned on the recorder with a shrug. "Things are at least a little better now—they do say 'Good morning' before they start," he says. "But this is the reality of inner-German relations: a tragedy."

It is possible that Mr Erich Honecker, the East German leader, will shortly make his long delayed journey to West Germany, above all to visit the Saarland where he was born 73 years ago. Official Bonn has been quivering with speculation

over the event for weeks.

Whether the real cosmetic improvements to one of the world's most hermetic frontiers, however, and whatever new humanitarian concessions might emerge if and when Mr Honecker meets Chancellor Helmut Kohl, the affair of the Duderstadt cows tells at least as much about the true relationship between the two German states as any agreement extracted from months of intricate diplomatic bargaining.

The episode dates back two years and the hapless beasts were recovered by their West German owner without further international incident. Since then, landmines have been removed from the nine feet high wire fence running down the frontier, and the macabre automatic firing devices dismantled. In their place electronic sensors have been installed on a new fence further back, making escape as hard as it ever was across the no man's land between.

In West and East, even in Bonn, the crude division of Germany is a 40-year-old fact of life to which many people, even when they do not secretly welcome it, are resigned. But not those directly affected, every day.

"We can't accept that frontier, however long it's been here—just look at it, it's frightful," says Mr Karl Kruekenberg, who runs the Duderstadt emulsi-factory. "Why do they make everything so difficult?"

Few places have suffered as much from partition as Duderstadt. Once it was the main town of the Eichsfeld, a close-knit Catholic enclave in a Protestant sea, for 500 years a domain of the electors of Mainz. Now four-fifths of the enclave is in East Germany. Severed from its natural hinterland, Duderstadt must look West for its livelihood and its future.

To an extent it has succeeded. Apart from Germany's oldest town hall, dating from 1225, Duderstadt now boasts the headquarters of the eminently modern Otto Bock company, a world leader in the manufacture of artificial limbs. Unemployment fluctuates between a winter high of up to 27 per cent (when farm and building workers are laid off because of the weather) to a summer low of 8 or 9 per cent. The town, built around a core of 500 beautifully maintained half-timbered houses, exudes sobriety, diligence and prosperity.



But that cannot make up entirely for the lost sense of community. True, Duderstadt still receives part of its water supplies from a source at Brehme, 2 miles into East Germany, and delegations from the two towns still meet to discuss technicalities.

"The fact is we've lost a hinterland of 15,000 people," explains Mr Kruekenberg. "For a while after the war, we had joint sports meetings and so on, but then they stopped. Now the water talks provide the only official link."

Last year I set Christmas greetings to the mayor of the other Eichsfeld towns, but he never got an answer. Then I found out that they'd only reply when we recognised East Germany's official status.

In many ways human contacts have become easier since the opening of the border point at Duderstadt for mainly local traffic under the 1973 basic treaty between the two Germanys. Relatives can now meet.

West Germans, assuming they are granted a visa, can cross over nine times every three months. Border controls have been speeded up, taking around 20 minutes on average. Since 1983 visitors can also spend the night "over there," as the closed world across the frontier is invariably described.

On the border itself, only the swish of an odd vehicle through the slush breaks the silence on a snowy winter morning. "They have 40 people there at any one time, we just have five or six on this side," Mr Schneemann says. At 12 noon four grey-coated soldiers march in line to relieve an earlier shift at the nearest guardhouse to the border.

Administrative contact between the two border posts is

limited to a telephone conversation between 8 and 9 am each morning. Personal greetings are shunned; dealings are as cold and perfunctory as in the case of the Duderstadt cows.

Curtains, a bus carrying a dozen or so elderly West Germans goes through on its way east. There are 10 such every weekday, introduced to help families keep up ties. The fare is DM120 (32p). Traffic in the other direction is also mostly old people: only pensioners can easily travel from East Germany.

Last year there were 31,360 crossings by East Germans at Duderstadt. Twice a year they can claim DM15 of "welcoming money" from the West German authorities, to buy the lesser luxuries of life, often unobtainable at home.

There are very few less orthodox transits. Some years ago a young East German made it over the fence, despite being wounded by the automatic firing devices. He was rescued by West German farmers and recovered in the Duderstadt hospital.

Despite the steadily increasing number of visits, only five East Germans have sought asylum (automatically granted) in Duderstadt in the 12 years.

the border crossing has been open for 12 years.

Some 20 miles south west along the border the story is similar. Mr Detlev Flechtner and his wife Antoinette have a 180 hectare farm beside the frontier. The 900-year-old farmstead, a local office of the Prussian administrators before 1918, was part of the Russian occupation zone in 1945, and briefly home of the local Soviet Kommandant, before a Major Perkins persuaded him to permit the building to be reunited with the estate in the adjoining British zone.

About half a mile away as the crow flies is the East German village of Kirchgangern, its church steeple jutting above the wall which provides an additional barrier, to go with the fence, the lights and a guard-dog run.

For decades ago, it was almost one with the village of Niedergangern. But Niedergangern today is in West Germany. "We've never been to Kirchgangern and know hardly anything about it," the Flechtners say. "It's even off limits for most East Germans, who can't go near the border in this area without special authorisation."

Sometimes, word does get

through from the other side, literally through unofficial channels. The East Germans have not yet entirely stilled communication by messages in bottles thrown into the river Leine which runs along the border near Niedergangern. Some are understandably anonymous: "Best wishes from prison," one said.

A year ago, the Flechtner's daughter found another, perhaps even more poignant. "How are you?" it asked. "Is there snow where you like here?"

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OVERSEAS NEWS

S. Africa drops treason charges against twelve

BY ANTHONY ROBINSON IN JOHANNESBURG

TREASON charges against 12 of the anti-apartheid United Democratic Front (UDF) were withdrawn yesterday, seven months after the start of South Africa's most important treason trial for 20 years. All 16 have been accused of "furthering the aims of a revolutionary alliance."

Mr Mike Kimber, the Attorney General of Natal, after announcing the prosecution's decision, said that the four remaining accused, all members of the South African Allied Workers' Union, would continue in the Pietermaritzburg Supreme Court.

The Pietermaritzburg trial is the most important treason case since the Rivonia trial of African National Congress activists which ended in 1961 with the acquittal of all those charged after a five-year court battle.

Yesterday's decision to drop charges against the 12, who include two UDF presidents, Mr Archie Gumede and Mrs Albertina Sisulu, wife of African National Congress (ANC) executive Mr Walter Sisulu, who was jailed with ANC leader Mr Nelson Mandela in 1964, follows weeks of cross-questioning by defence attorneys which revealed several weaknesses in the case for the prosecution.

Last week the prosecution admitted that it had changed the dates on certain evidence brought before the court. The trial, presided over by Judge John Milne, Judge President of Natal, was also adjourned three times last week while Mr Isaac de Vries, an "expert" state witness was giving evidence about alleged revolutionary

literature. Under questioning by Mr Ismail Mahomed, a defence counsel, Mr de Vries admitted he had made "fundamental mistakes" in his evidence that could have misled the court.

The trial began on May 20 when the state presented a 600 page indictment for the common law crime of treason and alternative charges under the country's wide ranging internal security laws. Five of the 16 accused had earlier taken part in the three month occupation of the British Consulate in Durban.

The indictment was based mainly on speeches made by the accused over the previous four years, including speeches against the tri-cameral constitution introduced in September 1984.

The trial was expected to last for at least 18 months and strict bail terms were applied which effectively barred the 16 from taking part in political life. As such it was seen as part of a broader strategy by the Government to muzzle the UDF.

Two black gold miners were killed, 30 wounded and 41 arrested in a violent clash between miners returning from a union meeting and a combined police and army patrol outside the Randfontein estates mine, owned by Johannesburg Consolidated Investments (JCI), at Westdene, west of Johannesburg on Sunday.

The National Union of Miners (NUM) said 3,000 miners refused to go down the mine yesterday in protest. The company said only 1,500 union members had refused to go to work and would be warned of possible dismissal if they failed to return to work today.

Iraq attacks Iran army near border

By Roger Matthews, Middle East Editor

IRAQ launched heavy air attacks on Iranian troop concentrations in the southern sector of the Gulf War battlefield yesterday in an attempt to disrupt preparations for a further cross-border offensive.

Tens of thousands of Iranian volunteers and revolutionary guards have been reinforcing regular army positions opposite the Howziah marshes where the last offensive was launched earlier this year.

Col Sayyed Shirazi, the commander of Iranian land forces, confirmed 10 days ago that an attack was being planned but indicated that it would not be the major offensive "which would decide the fate of the war."

He stressed the advantage of attacking attacks which "maintain the tempo of battle, keep the enemy on the move and inflict damage on its forces."

The Howziah marshes, where Iraq's superiority in armour can be easily deployed, are well suited to harassing attacks by waterborne troops.

If Iran goes ahead with its planned offensive it can expect further retaliation against its Kharg Island oil export terminal and perhaps a resumption of air attacks on its major cities.

The increased tempo of the five-year war has come despite attempts by Arab Gulf countries to develop a dialogue with Tehran. Mr Ali Akbar Velayati, the Iranian Foreign Minister, has just completed talks in Riyadh with King Fahd of Saudi Arabia, the first meeting of its kind since the 1979 revolution which deposed the Shah.

Saudi Arabia continues to be Iraq's principal financial backer but is concerned about the dangers of the war widening if Iran's oil exports are seriously disrupted.

Sudan ruler in debt talks with Fahd

By John Murray Brown in Khartoum

SUDAN'S MILITARY leader Gen Abdel Rahman Swahid left yesterday for Saudi Arabia for talks with King Fahd which observers believe will concentrate on resolving Sudan's debt crisis.

Saudi Arabia is the country's largest bilateral donor. Sudan's external debt to governments and commercial banks stands at \$8bn (\$6.2bn) and arrears payments owed to the International Monetary Fund exceed \$180m.

The general's unscheduled visit follows the failure of Mr Abdel Magied, Sudan's Finance Minister, to win cabinet approval for a package of economic reforms agreed with the IMF. One press report said the 12-man civilian cabinet voted 10 to three against the proposals. Mr Magied reportedly offered to resign.

An agreement with the IMF would be the first step towards rescheduling of Sudan's debt, which has steadily grown since the Government came to power in April after President Jaafar Numeiri was ousted in a coup. Mr Magied also offered to resign in July after the unions said his economic policies were too costly to the IMF. Dr Ghazwan Dafalla, Prime Minister, supported the unions but the Finance Minister's resignation was rejected.

The current crisis comes only four weeks after the IMF extended the country's grace period for repayment of arrears to the fund for the fourth successive time. Settlement of arrears is normally a precondition to any IMF agreement.

The next meeting of the fund is set for early January by which time the arrears will have reached \$250m.

UAE council of rulers fails to convene meeting

BY KATHY EVANS IN ABU DHABI

THE United Arab Emirates supreme council of rulers, the country's ultimate governing body, failed to convene its scheduled meeting yesterday in Abu Dhabi. No explanation was given by government officials.

It was the third time this year that the supreme council has postponed a meeting at the last minute. No agenda was published but it is thought that the rulers would concentrate on the financing of the federal government, whose 1985 budget has yet to be approved.

The expected agenda item was the formulation of a permanent constitution for the country. For the last 14 years, the UAE has been governed by a temporary constitution and the citizens are concerned that the sheikhs may simply ratify the temporary code without considering demands for widening democracy.

In the last few days, a local newspaper, Al Khaleej of Sharjah, has been carrying com-

ments from UAE nationals calling for elections to strengthen the powers of the Federal National Council, whose members are appointed by sheikhs.

Some have even questioned the right of sheikhs to decide on the constitution given the absence of an elected legislative body.

The leading sheikhs are holding continuous consultations on economic problems, say government officials. Among moves already decided was the appointment of a board of directors for the central bank. The previous board of directors and Mr Abdul Malik al Hamr, the governor, were reappointed for four years.

The appointment of a board of directors will provide the central bank with a legal mechanism to approve mergers among UAE banks. For the past 11 months the institution has lacked a board which has prevented the publication of its 1984 figures until recently.

David Dodwell reports on the problems facing the Peking official due to arrive in the territory today

Cloud of worry over Hong Kong visit

Political points at issue

THE following is the text of various statements made on the issue of Hong Kong's future:

● "Current social and economic systems in Hong Kong will remain unchanged, and so will the lifestyle, rights and freedoms, including those of the person, of speech, of the press, of assembly, of association, of travel, of movement, of correspondence, of strike, of choice of occupation, of economic research and of religious belief, will be ensured by law."—Sino-British joint declaration on the question of Hong Kong, December, 1984.

● "The socialist system and socialist policies shall not be practiced in the Hong Kong special administrative region, and Hong Kong's previous capitalist system and lifestyle shall remain unchanged for 50 years."—Joint declaration, annex 1.

● "The legislature of the Hong Kong special administrative region shall be constituted by elections. The executive authorities shall abide by the law and shall be accountable to the legislature."—Joint declaration, annex 2.



Ji Pengfei: concerned about political reforms

JI PENGFEI, China's 76-year-old State Councillor with responsibility for Hong Kong and Macao affairs, arrives today in a city more troubled by political worries than at any time in the past year. His visit is the first to Hong Kong by such a senior Chinese.

Hong Kong officials hope it will be the first of many, and that suspicion will be gradually reduced over British actions in the territory, and that Peking's awareness of what makes Hong Kong tick will improve.

There are fears, however, that in the wake of recent, increasingly specific, warnings over the pace and direction of political change, it will be used to reiterate China's concerns.

Recent veiled comments by Ji himself, and in particular a controversial speech by Xu Jiatun, the head of the New China News Agency in Hong Kong and the most senior Chinese official in the territory, have raised questions over Peking's willingness to allow Hong Kong the autonomy promised in the Sino-British joint declaration signed in December last year.

Xu's concern about political reforms in Hong Kong, and remarks that unnamed parties have deviated from the letter and spirit of the agreement on Hong Kong's future, were taken as a warning to the British colonial administration, and to the motley group of political

activists who are pressing for more democracy.

In his speech, Xu called on the colonial administration to keep Peking fully informed on what it is doing, and why, in the difficult period of transition from British colonial rule to Chinese sovereignty.

He reminded officials that under the Sino-British agreement the Basic Law, due to be drafted by China by 1990, will provide the political blueprint for Hong Kong after 1997. Political changes now being orchestrated by the Hong Kong Government will be smoothly integrated into the Basic Law.

Unhappily, demands that political reforms should be stalled until the Basic Law is in place, and more specifically that a political review planned for 1987 should be postponed, were seen by Hong Kong people and the press as premature attempts to interfere in Hong Kong's internal affairs.

Warnings that Hong Kong could ever hope to be independent were accurate in fact, but sat uneasily with the more comforting promises under the Sino-British agreement that the special administrative region set up after 1997 would be given "a high degree of autonomy," and that Hong Kong people would rule Hong Kong.

Xu's speech raised wider questions of how Peking plans to interpret the carefully worded joint declaration. The spirit of the declaration, Peking promised, would be embodied in the Basic Law.

A lonely voice of protest has been that of barrister Mr Martin Lee, who was elected to the Legislative Council last September. He has argued that many Hong Kong people remain suspicious of China after having fled from violence inside the country over the past 40 years, and are uncertain whether the radical and untested idea of "one country, two systems," the basis on which Hong Kong is being reintegrated with China, can

work.

He recalls the way in which Hong Kong views on the Sino-British agreement were assessed in autumn last year. Many views came forward only when explicit guarantees of confidentiality were given.

He says Hong Kong people need constitutional assurances if they are to remain confident about their future, and that democratic elections are essential checks against the possible abuse of power. He wants them in place before 1990 because of fears that Chinese definitions of democracy to be embodied in the Basic Law may not coincide with Western ideas of democracy.

The Hong Kong Government, which has disappointed many by refusing to comment on Xu's remarks or to provide assurances on Britain's commitment to govern in the broadest sense up to 1997, insists that political reforms have been cautious, and clearly signalled.

A White Paper on political reform published in autumn last year gave a commitment to "develop progressively a system of government the authority for which is firmly rooted in Hong Kong, which is able to represent authoritatively the views of the people of Hong Kong and which is more directly accountable to the people of Hong Kong."

Indirect elections in September for a minority of seats in the Legislative Council were no

more than an embodiment of that commitment, officials say.

The White Paper nevertheless concluded: "There was strong public support for the idea of direct elections, but little support for such elections in the immediate future." It concluded that a review in 1987 was essential.

With this response in view, the most serious threat in Xu's remarks is the challenge to the Hong Kong Government's claim to be able to interpret accurately the views of Hong Kong people.

Peking has established a 180-member Basic Law Consultative Committee in Hong Kong which has the explicit job of telling Peking what local people think about plans for the future. If the Hong Kong Government comes to the conclusion after its political review in 1987 that there is a strong demand for direct elections and the Basic Law Consultative Committee tells Peking that the Hong Kong Government has got it wrong, the colonial administration will be under immense pressure from Peking to think again.

It is not yet clear how the Government will convince Peking, in the event of such a difference of views, that its own opinion-gathering methods are more trustworthy than those that is something Governor Sir being used by Peking.

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AMERICAN NEWS

Budget reform 'will not achieve deficit reduction'

By Stewart Fleming in Washington

REPRESENTATIVE William Gray, chairman of the House budget committee, said yesterday the Gramm-Rudman budget reform plan now moving through Congress will not achieve its goal of eliminating the Federal budget deficit by 1991 and called for increased taxes to cut the deficit.

Mr Gray's remarks came on the day when radical reform of the Congressional budget process was expected to begin moving rapidly towards presidential approval. A conference committee of the House and the Senate was scheduled to settle the final details of the plan late yesterday afternoon.

Senator Robert Dole, the Republican majority leader of the Senate, said that he was confident the measure would clear the Senate and added that he had heard nothing to suggest that President Reagan would veto the Bill. He warned, however, that because of the complexity of the legislation, it might be better for Congress to pass another temporary increase in the Federal debt

ceiling so that the Federal Government can continue to finance itself after Wednesday night when the current debt ceiling limit expires.

The budget reform Bill is tied to the Federal debt ceiling legislation.

Mr Gray, speaking at a conference in Philadelphia organised by the Global Interdependent Centre, said that budget deficit reduction targets in the Gramm-Rudman Bill were based on over-optimistic assumptions that the US economy would continue to grow steadily, until 1991 — a time scale which would imply nine years of sustained economic growth since the economic recovery began in 1982.

He said that the budget committee staff had been examining ideas such as an oil import fee, a gasoline tax or a form of value added tax which, if dedicated to deficit reduction and linked to a programme of government spending cuts, could eliminate the budget deficit by 1989.

Reagan steps up campaign for tax reform legislation

By Reginald Dale, US Editor, in Washington

PRESIDENT Ronald Reagan yesterday launched a high-pressure lobbying campaign to keep hopes alive of a major reform of the US tax system, his main domestic policy objective for his second term in the White House.

With a key vote expected in the House of Representatives later this week, Mr Reagan wrote to all 435 House members urging them to vote for tax reform legislation, even if it meant supporting Democratic proposals to which many Republicans have strong objections.

If some form of legislation did not clear the Democrat-controlled House in the coming days, tax reform "may be dead for several years," Mr Reagan warned. He called on the minority House Republicans to support the Democrats' plan, in

the likely event that a Republican alternative fails, so that the Bill could be sent on for improvement by the Republican-controlled Senate.

Most of the House Republican leadership has come out strongly against the Democrats' proposal, worked out by Mr Dan Rostenkowski, the chairman of the House ways and means committee. The proposal would raise more money from business and wealthy individuals than Mr Reagan's original plan and maintain some of the tax exemptions that Mr Reagan wanted to eliminate.

Mr Reagan, however, believes that it will be impossible to resuscitate tax reform if a Bill does not go through the House before the Christmas recess, which is due to start at the end of this week or early next.

Guatemala set to elect Cerezo as President

By David Gardner in Mexico City

MR VINICIO CERESO, Guatemala's Christian Democrat leader who has survived three attempts on his life under successive military dictatorships, was yesterday heading for a landslide victory in the run-off election for the country's presidency.

Mr Cerezo, an ebullient 42-year-old lawyer, had just over 67 per cent of the vote against just under 33 per cent for his rival, the right-wing newspaper publisher, Mr Jorge Carpio.

Official results were not expected until late yesterday, but the centre-right Christian Democrats have deep roots in the rural constituencies still to report and, if anything, Mr Cerezo could increase his tally.

Turnout was clearly down on the first round of voting on November 3, when nearly 800,000 of Guatemala's 2.75m voters stayed away from the polls and a further 200,000 cast blank or spoiled ballots.

Mr Cerezo polled 40 per cent on that occasion, Mr Carpio trailed with 21 per cent. No candidate, therefore, got the more than 50 per cent required by law. Despite this margin and even though the Christian Democrats won an overall majority in Congress, Mr Carpio insisted that he could rally the far right in the second round and refused to withdraw.

In the event the traditionally powerful far right, which has underpinned 18 military governments in Guatemala since the 1954 CIA-organised coup which toppled the reformist regime of President Jacobo Arbenz, felt greater distaste for Mr Carpio's watered-down neo-conservatism than Mr Cerezo's mild reformism.

Mr Cerezo, conscious of the need not to antagonise the still firmly entrenched military, has said he will pursue "a minimum programme" of pragmatic reform to consolidate democracy. His priorities are to revive a prostrate economy which will end 1985 with its fifth straight year of falling per capita growth, and to bring to an end the endemic violence which has claimed so far 100,000 lives over the last two decades.

Mr Cerezo hopes for a substantial injection of US aid when the annual injection of US aid when he takes over.

Yesterday's election result was a foregone conclusion, reports Canute James

Guyana succumbs to cynicism and apathy

FEW OF the 370,000 people entitled to vote in yesterday's general election in Guyana will have done so with much faith in their ability to change the 21-year rule of the ruling People's National Congress.

Even fewer would entertain any real hopes that the Government of President Desmond Hoyte would be able or even willing to bring an end to the years of mismanagement which has left the economy and the political image of the country in tatters.

Even Guyana's neighbours in the English-speaking Caribbean regard the country as a pariah towards which they can be no more than barely tolerant.

Cynicism was widespread during campaigning for the election — or "selection" as Opposition parties described the exercise. The Marxist People's Progressive Party (PPP) and the Socialist Workers' People's Alliance (SWPPA) conceded defeat before the first votes cast, declaring that their attempts to get Mr Hoyte to bring some credibility to the electoral system had been in vain.

Guyana's foreign and local critics have never given the ruling party high marks for electoral propriety. Under Mr Forbes Burnham, the PNC's founder and former president who died in August, charges of fraud were frequent.

Mr Hoyte attempted to meet the criticism with cosmetic changes to the system of proxy and overseas voting, but has been inflexible in denying entry to foreign observers to test the poll's fairness. Some Western

"The record of Guyana's elections from 1968 onwards has been appalling," according to a report on the country recently compiled by the British Parliamentary Human Rights Group and the US-based America Watch organisation. "Despite the (ruling) People's National Congress's protestations to the contrary, the evidence for massive rigging and widespread abuse before, during and after elections is enormous. As the international team of observers concluded in its report on the 1980 election, the scale of the fraud (has) made it impossible to conceal either from the Guyanese public or the outside world."

journalists who attempted to cover the election were refused entry to the country.

Dr Cheddi Jagan, a former Premier and leader of the PPP, is convinced the election was not fair. "We are fighting to make them so, but they are not going to be free and fair," he said before yesterday's voting.

The Government has done little to mollify those who were concerned at the system under which ballot boxes were taken from polling stations to a central office for counting. "We do not know what happens to the boxes on the way," a WPA representative said.

Mr Hoyte bears the stigma of being Mr Burnham's hand-picked successor, and his ability to shed the characteristics of Mr Burnham's regime appears to be limited.

The dream of fashioning a



Mr Hoyte, successor to the late Dr Burnham

"co-operative socialist republic" in the sprawling republic of 500,000 people long ago fell victim to the desire of the ruling party to establish control over all aspects of Guyana's life.

In their campaigning, half-hearted as it was, the opposition parties asked their supporters not to allow the race issue to influence their vote. But race is an inescapable factor in Guyanese politics, and one which the PNC has not been reluctant to use in the past.

The ruling party draws its support from and dispenses favours to mainly Afro-Guyanese, while the PPP is supported primarily by the Indo-Guyanese community. Hope of bridging the racial divide flickered briefly when the PNC and the PPP showed some interest in a unified, broad-

based government. But Mr Hoyte said recently that talks with the PPP "have not gone any great distance."

In any event, such a union could be damaging to any hope Mr Hoyte is entertaining of improved relations with the US. The Reagan Administration is likely to frown on any prospect of having to deal with an administration which includes Dr Jagan.

Relations with Washington have been strained mainly because of Guyana's increasingly close ties with Cuba and East European countries. US economic assistance has dried up, but a State Department announcement just after Mr Burnham's death suggested that the time was ripe for spending fences.

But although a re-elected PNC might jump at the chance of better economic support, the various state of the economy was not a major factor in the election. Despite Guyanese have apparently grown weary of arguing against increasing austerity in a country which is potentially among the richest in South America. The major parties are, anyway, committed to maintaining state control over the economy.

Falling production and earnings from bauxite, sugar and rice, the main export commodities, have created a chronic shortage of hard currency. Black market rates for the US dollar and over three times the official rate. The Government has refused to reduce state control so as to increase efficiency and earnings but has not flinched from imposing increas-

ing economic austerity. Wheaton Group for making bricks for instance, is among imports which are banned.

Guyana's foreign debt has reached \$1.2bn, with servicing costs accounting for just under 50 per cent of current revenues. A recent World Bank report said Guyana will need an infusion of at least \$750m over the next decade to enable it to recover.

Strapped for workable alternatives, the Government may therefore be forced to swallow its pride and make its peace with the International Monetary Fund (IMF), whose recommendations were described earlier this year by the late Mr Burnham as "a recipe for murder."

The Fund has declared Guyana ineligible for further assistance because it was late in repaying earlier loans, but an IMF team visiting Georgetown soon after Mr Hoyte replaced Mr Burnham's regime on Wednesday is likely to be disappointed on an IMF deal.

Mr Hoyte has allowed an increase in private investment in the key bauxite industry, and for the first time in four years, the economy recorded a small growth last year of 2 per cent, mainly the result of the 50 per cent increase in output by the bauxite industry.

Despite this, Guyana shows as much prospect of ending an economic nightmare as it does of staging an election whose fairness will be unquestioned. In any event, an election itself is unlikely to produce any change.

US investors find Jaguar a name hard to resist

By Terry Dodsworth in New York

TEN YEARS ago, in the UK motor industry's darkest hour, no one could possibly have imagined that US investors would one day catch fire over the name of a British car company. But this is exactly what has happened in the case of Jaguar. Since it was hived off from the nationalised sector, Americans have fallen in love with the shares of the small Midlands-based luxury car group and they are now buying its stock with an enthusiasm which threatens to eclipse its avid UK following.

The strength of US sentiment

for Jaguar was evident as soon as the company was privatised 18 months ago and the excitement became even more apparent when the shares began to trade in the US six months later as American Depository Receipts (ADRs) — a mechanism for dealing in foreign shares in America. Interest has increased still more since mid-November when the ADRs were accepted for listing on the National Association of Security Dealers over-the-counter market. Nasdaq, an electronic exchange generally featuring smaller newly floated

public companies.

In the wake of the listing Jaguar has repeatedly featured among Nasdaq's volume leaders, heading the chart one day last week with almost 1.9m shares changing hands.

US analysts believe that part of the reason for this buoyant performance is a technical one. With 180m shares in issue, all of which could theoretically be converted to ADRs, Jaguar is a very liquid stock by Nasdaq standards. Big institutional investors can therefore move into the shares without fear of being locked in. At the

same time, it is an easy stock for smaller investors to purchase as well, since the price of an ADR share which is converted directly from a UK share on a one-for-one basis, is only around \$5. Typically, US shares are much more highly priced.

More importantly, Jaguar is a glamour stock with a direct appeal to the young professionals and entrepreneurs who provide the main market for fast European luxury cars. For retail salesmen in equities, Jaguar is the kind of story with something behind it.

says Mr Thomas Lent of Prudential-Bache, the New York Securities firm.

Mr Lent believes that if Jaguar manages the launch of its long-promised 3149 model smoothly, the ADR shares have the potential to go to \$7 against only \$2.65 when they were first listed a year ago.

To achieve that, Jaguar will have to avoid those once familiar post-launch UK new car launches, US investors may be enthusiastic and adore winners, but they hate losers and know a sell sign when they see it.

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THE GLENLIVET — DENIED BY THE KING

In the early 1800's, denying the existence of distilleries was a national Scottish pastime.

Oh, they were there, alright. But all strictly illegal. You see, savage taxes imposed by the Philistines of Westminster made distilling the notional beverage well nigh impossible.

Tax evasion became the only honourable course. The canny Highlanders took to the hills and the glens.

A whole industry flourished. But it was completely underground. Excisemen, or gougers, marched North, with orders to stamp it out.

The Artful Dodgers.

But it proved a hopeless task. All measures to deter the distillers were met with ridicule. Even a £5 reward for the discovery of a distilling pipe (or copper "worm") did nothing to halt the flow of whisky. In fact it was a boon for the whisky makers.

When a "worm" was worn out, the distiller would miraculously "find" it, hand it over to the authorities, claim his reward and promptly purchase a new one!

Such was the Highlanders' contempt for the law that it was not even considered a disgrace to be imprisoned for illicit distilling.

Indeed, in Dingwall Gaol offenders were treated in the mildest possible way; even allowed out on Sundays and special occasions and "honourably returned."

One approached with the remarkable proposition that they set up a still together in the gaol!

But out of this lawlessness came greatness. The illicit drom was magnificent.

The Reverend Thomas Guthrie was a boy in 1818 and he recalled that "everybody, with few exceptions, drank what was in reality illicit whisky — for superior to that made under the eye of the Excise — lords, lords, members of Parliament and ministers of the gospel and everybody else."

And the finest dram of them all was The Glenlivet.

The Sassenach Connection.

The Glenlivet distillery was started by one John Gow. Alias Smith.

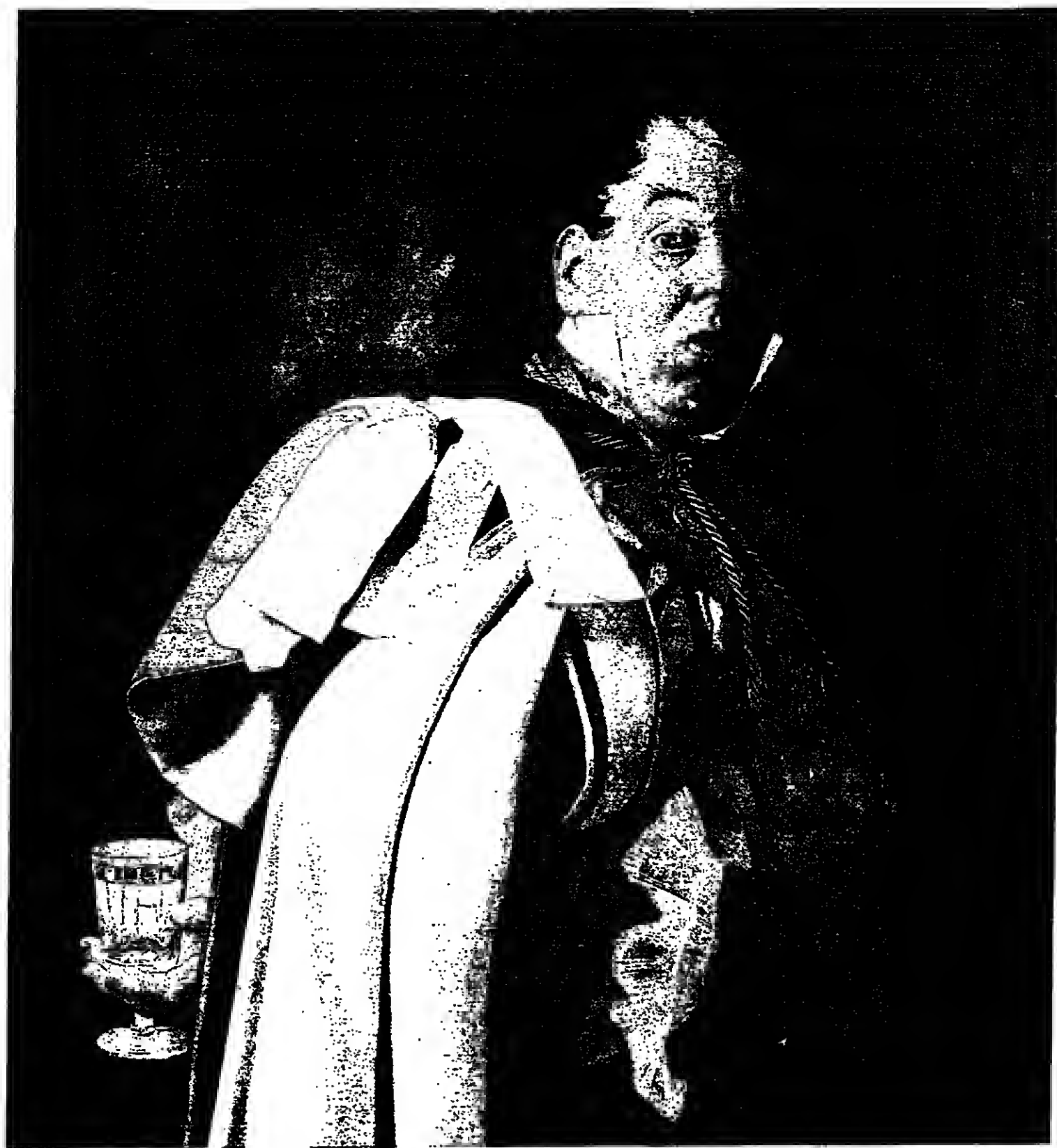
Bit of a mystery; John Gow. Indeed he had very little option.

Having fought and lost with Bonnie Prince Charlie, he had to flee with his family in 1746 to the remote glen of the river Livet.

And to baffle the English soldiers, he changed his name from the gaelic Gow to Smith.

This is why such a Sassenach name as Smith appears on the bottle of Scotland's most venerated whisky.

There in the glen John Smith, ex-Gow, settled in the precise spot where the water and the peat were the best in all Scotland for making



cross. Lord Coringham, the Chamberlain, was looking everywhere for the pure Glenlivet whisky: the King drank nothing else.

My father sent word to me — I was the cellarer — to empty my pet bin, where whisky was long in the wood, mild as milk and the true contraband goût in it."

Such a princely potion couldn't stay illegal much longer. It was unthinkable that the King should ever have to deny that his greatest pleasure didn't actually exist!

Luckily, back at the House of Lords, commonsense was about to break out, under the influence of George Smith's landlord, the Duke of Richmond and Gordon.

In 1823, their Lordships passed an act which made distilling a commercial proposition.

And the first man to take out a licence was our own George Smith.

Plain sailing from then on you'd think. Nothing of the sort.

The neighbours' burning desire.

Although George had decided to go legal, his neighbours in the glen would have none of it. They regarded him as a traitor.

"The outlook was an ugly one," wrote George. "I was warned by my civil neighbours that they meant to burn the new distillery to the ground and me in the heart of it."

Such threats in the wild remoteness of Glenlivet were not idle. So for his protection, George was presented with a pair of hair trigger pistols, worth ten guineas, a gift from his friend the Laird of

"Glenlivet Distillery? What Glenlivet Distillery?"

malt whisky. This mysterious man had stumbled upon a mysterious well. Josie's Well.

It's the water from this well that makes The Glenlivet magical. We can't tell you why. There is no explanation.

And there is no other well that performs the same magic.

By the time John Smith's grandson George inherited the still in 1817, the fame of The Glenlivet

had spread far and wide.

"It is worth all the wines of France" opined the Doctor in Sir Walter Scott's St. Ronan's Well, "and more cordial to the system besides."

His Majesty's Pleasure.

The Glenlivet that George Smith made even flowed in the corridors of power.

In 1822 King George IV paid on official visit to Edinburgh and

Elizabeth Grant, an MP's daughter, wrote about it in her

memoirs: "One incident connected with this time made me very

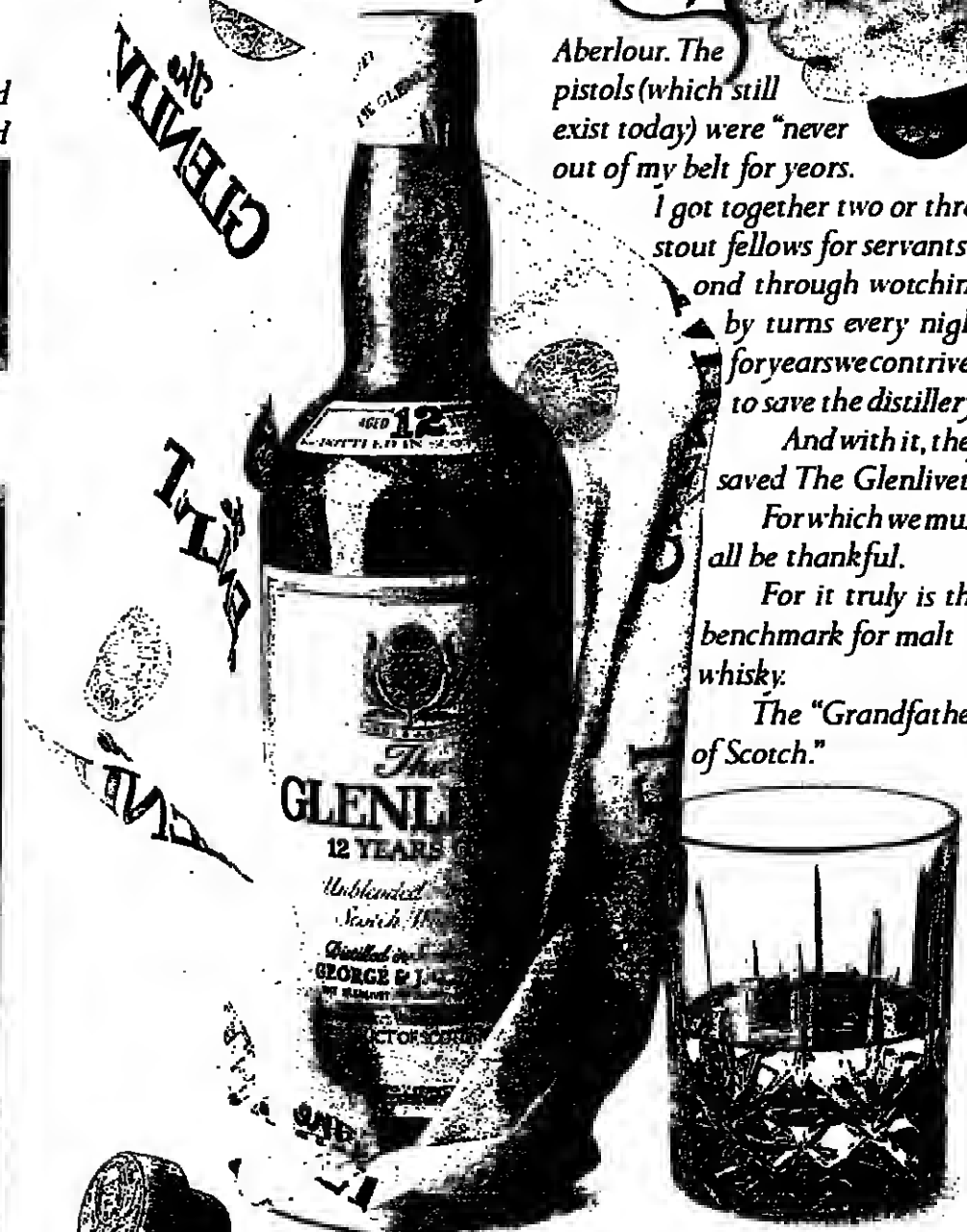
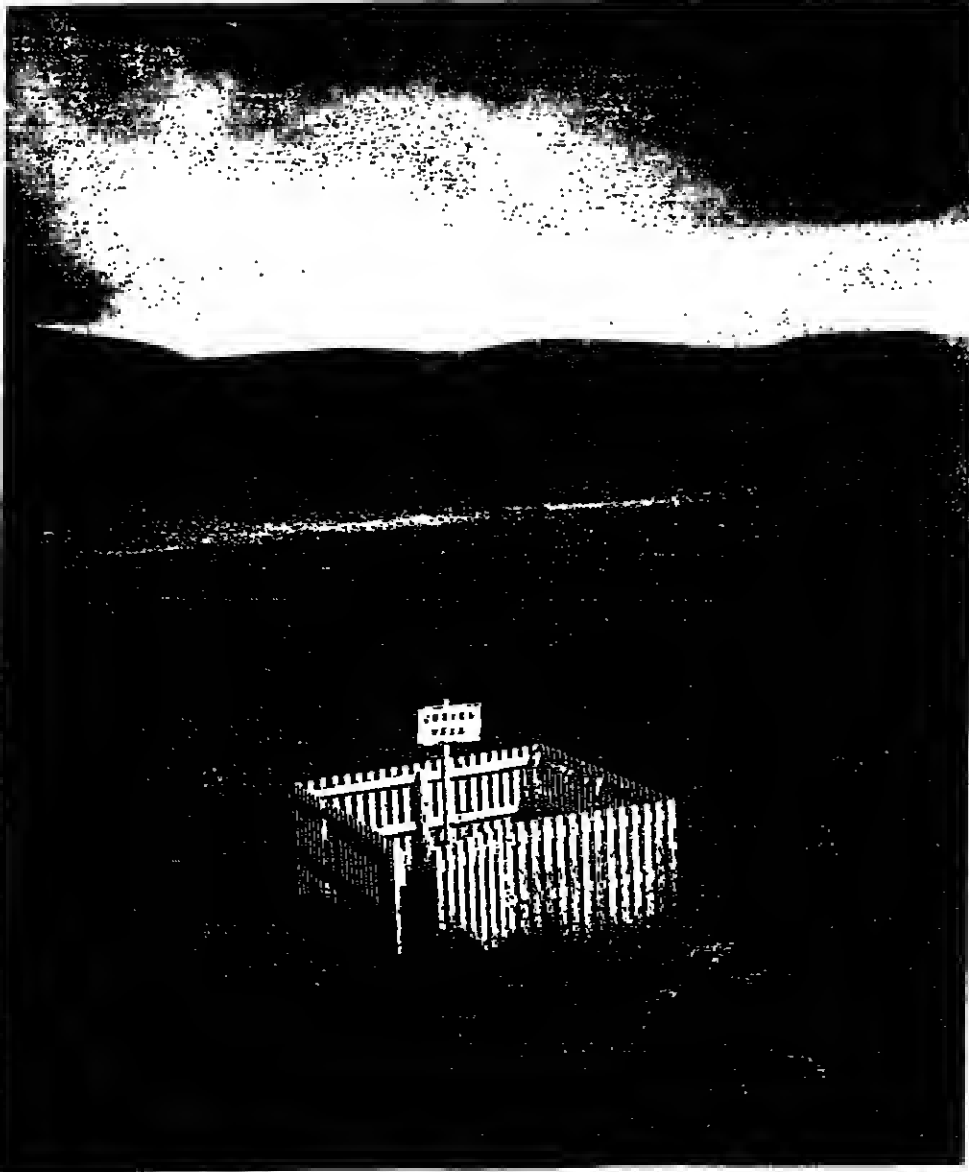
Aberlour. The pistols (which still exist today) were "never out of my belt for years."

I got together two or three stout fellows for servants and through watching by turns every night for years we contrived to save the distillery."

And with it, they saved The Glenlivet. For which we must all be thankful.

For it truly is the benchmark for malt whisky.

The "Grandfather of Scotch."



Scotland's first malt whisky.

TECHNOLOGY

Engineers believe coal-water slurries could be fuel of the future. Peter Marsh reports.

Burning desire to study combustion

PICTURE A stream of tiny balls shot from a nozzle at 180 kph, split into pieces by streams of high-pressure air or steam and set alight. That is a simplified description of what happens in the burners that power oil-fired power stations or industrial boilers.

The oil droplets are broken up into particles perhaps 50 microns across. The particles are channelled in specific directions by other streams of air and ignited to produce a flame that burns at up to 1,700 deg C. Engineers round the world are investigating the combustion process more closely than before. A key desire is to learn more about the fundamentals of combustion to prepare for burning in power stations and industrial boilers coal-water slurries, heralded for many years as the "fuel of the future" which could replace oil firing in many plants.

Other aims are to increase the efficiency of the burning process or to reduce emissions of such gases as nitrogen oxide. Most of the attention given to slurries has concentrated on converting existing oil-fired plants to run on coal-water mixtures. The latter can be pumped to a power station or

factory in a similar way as oil. Slurries appear more promising than pulverised coal, the other main alternative fuel, on account of lower transportation costs and cleaner burning.

A recent report on slurries from the International Energy Agency says governments and the energy industry have spent

Governments and the energy industry have spent \$100m in the past five years on research connected with burning slurries

\$100m in the past five years on research connected with burning slurries. The sum could be doubled in the next five years if the building of large-scale plants proceeds.

On economic grounds, converting oil-fired plants to slurries is often justified, says the report, although the costs of the initial adaptations may be high. It says that about 10 per cent of the developed

world's plant that burns heavy fuel oil could be converted to run on slurries.

Converting oil-fired plant to coal slurries appears reasonably easy; both fuels are liquids and burning the substances involves the same chemical reaction—converting carbon into gaseous products with the emission of heat.

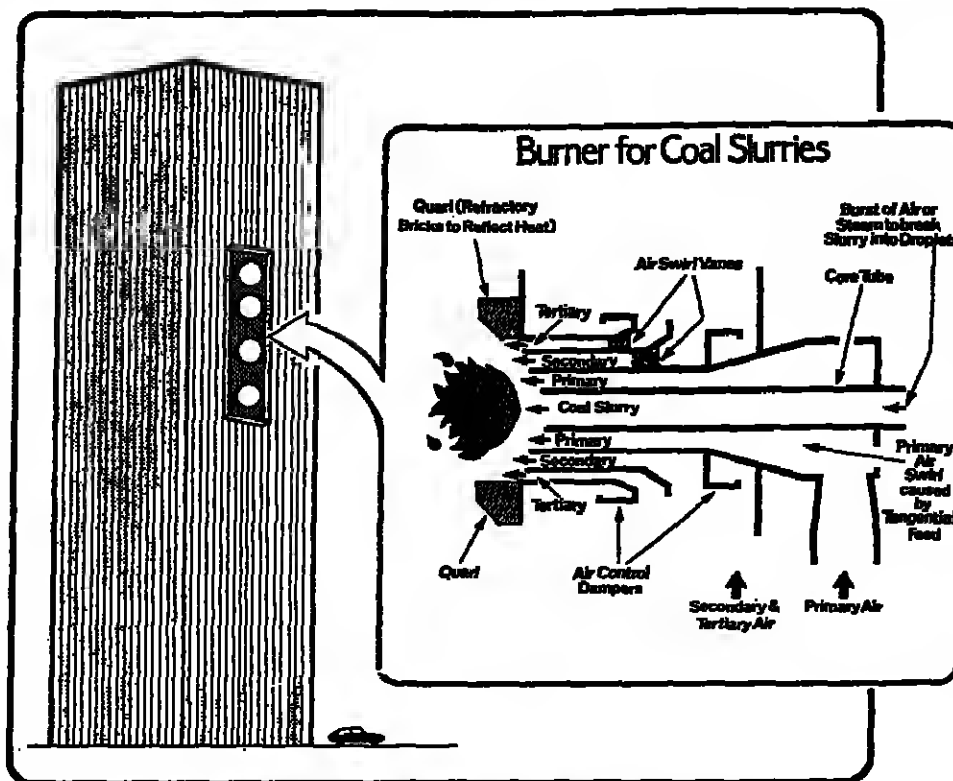
But here the similarities end. A coal slurry mixture normally burns less easily than oil; the flame is bigger and less hot. As a result, a boiler converted from oil to run on slurry may produce 30 per cent less energy. Thus to convert an oil-fired boiler to one which runs on a slurry, an engineer has to ensure that as much as possible of the carbon in the coal is burnt. This entails methods to impart "swirl" to the flame to circulate a large amount of heat and so ensure complete combustion.

The swirl, imparted by one or sometimes two jets of air, produces a series of spiral gas eddies. By varying the swirl, with the help of vanes and other devices that influence the direction of the jets, engineers can change the shape of the flame.

Swirl techniques are also useful in controlling the flame shape. In converting an oil-fired station to slurries, an engineer must be careful that the larger flame produced by coal does not harm the walls of the combustion chamber. The chambers of power stations may be up to 20m

square and 100m high. They contain up to 30 or 30 separate nozzles for fuel jets, either embedded in a single wall or built into a corner. Other aims of engineers involved in work on coal slurries are to break up the droplets in the mixture using "atomisers," shafts of air or

steam. This is to ensure the particles are small enough to burn effectively. The workers may also build on to the burner nozzles blocks of refractory material called "quartz." These reflect heat into the fuel as it spurts out of the nozzle, so increasing its temperature and the combustion



Diagrammatic representation of a slurry-fired boiler

efficiency.

An important part of combustion engineering is to design boilers that emit lower volumes of nitrogen oxides, such as nitrous oxide, which are a source of pollution. By varying the flame shape and changing the temperatures of different areas, engineers can reduce these emissions. A long thin flame rather than a short bushy one will, in general, produce lower levels of these oxides.

Pilot electricity generating plants based on slurries are in operation in several countries, for instance at the University of Lund in Sweden. The Canadian government is supporting trials at Charlottetown, Prince Edward Island, and Chatham, New Brunswick.

Several US electricity utilities are involved in similar work. Earlier this year, the US Electric Power Research Unit organised a series of tests, known as the "big burner shoot-out," in which four of the world's leading boiler manufacturers tried out new designs aimed at demonstrating slurry-mixture technologies.

The four companies were Foster, Wheeler, Combustion Engineering and Babcock and Wilcox, all of the US, and NEI, International Combustion, based in Derby, Britain.

NEI is engaged in an intensive programme of research into all aspects of burner design, both for oil and coal mixtures, using a recently completed test rig at Derby.

The rig, converted from an existing burner facility at a cost of £2m, shoots flames from

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a variety of burner designs along a cavernous chamber 6m square and 20m long, the biggest test chamber of its type in the western world.

For different burner designs, engineers measure factors such as temperature and drop-let size at different points in the flame. Mr Jim Symons, director of process plant at NEI International Combustion, says this helps researchers to optimise designs before sales to customers.

NEI has recently won contracts worth \$2.5m from the Florida Power and Light Company in the US to design boilers that will produce low levels of nitrogen oxides to meet pollution requirements. The company is also working for the Central Electricity Generating Board on designs to reduce emissions of these gases in UK power stations.

Work in test rigs such as at Derby is increasingly being complemented by computer simulations in which the shapes and temperatures of flames are worked out using specialist software programs. This enables researchers to examine the consequences of changing particular aspects concerning a burner's design without having their computer laboratories.

Economic arguments for slurries weaken

COAL SLURRIES normally contain about 70 per cent by weight of coal, 1 per cent or less of additives, with water comprising the rest. They are normally produced in a separate operation away from the factory or power station and either pumped or transported to the site.

The economic arguments for turning to coal have been diluted by the drop in oil prices of recent years, but an International Energy Agency report says coal-water mixtures can produce a gigajoule of energy for \$2.6, compared with \$4.5-\$5.0 for heavy fuel oil.

Whether operators of oil-fired plant swing over to slurries, depends on future fuel prices and the, by no means inconsiderable, costs of

conversion. The IEA report says that to convert a 2,000 MW oil-fired power station to run on a coal mixture would cost \$70m-\$150m. Costs for smaller plants would be proportionately lower.

Nonetheless, the report states the potential market for replacement of oil firing with slurry mixtures is significant, particularly in power stations.

The principal developed nations consume about 120m tonnes of heavy fuel oil a year in electricity generation. Roughly 7 per cent of this capacity could be converted to use slurries, says the IEA, with the main markets in the US, Canada, Italy and Japan.

Economic Potential of Coal Water Mixtures, International Energy Agency, Coal Research, 14 Lower Grosvenor Place, London SW1 0EX.

Fireball on trial at Fiddler's Ferry

Maurice Samuelson on an experiment aimed at cutting noxious emissions from coal-fired power stations

BRITAIN'S ELECTRICITY supply industry has begun the first of a series of experiments at coal-fired power stations aimed at cutting the output of nitrogen oxides (NOx), which produce ozone, one of the suspected causes of acid rain damage to continental forests.

New low-NOx burners have been fitted in one of the boilers at the 2,000 MW Fiddler's Ferry power station, near Liverpool, in a trial expected to cost some £2.5m. Next year, it plans a similar project at Eggborough, Yorkshire, to be followed by further work at one or two more power stations.

Launching the trial, Lord Marshall, Central Electricity Generating Board chairman, linked it with his view that acid rain damage to forests might be due more to ozone than to sulphur dioxide, the other main power station pollutant, which in the past has been regarded as the main culprit.

He added that it would enable the board to reduce its NOx emissions if parallel research showed this would lower the ozone levels far away from the power stations and reduce forest damage.

The work is to be carried out at several sites because of the different configurations of their respective boilers. The boilers themselves are steel boxes as big as a multi-storey building, lined by miles of tubing which circulate the water to be heated as steam for the turbines.

NOx is formed in the boilers as a result of the delicate mixture of finely powdered coal and air which produce a fireball of up to 1,600 deg C. Most of the nitrogen in the fuel is oxidised to NOx, which is then released into the atmosphere.

It is possible to reduce NOx formations by withholding some of the oxygen in the secondary air supply, thus allowing the nitrogen in the fuel to form pure nitrogen gas, which exists naturally in the atmosphere. This is achieved by introducing the air into the boiler

further away from the fuel, or at a later stage, resulting in a bigger, but less hot, flame.

The board is to try this at three or four of its power stations because the boilers lay-out varies from one plant to another.

At Fiddler's Ferry, the 58 metre high boilers have their burners mounted vertically on each of the four corners. The trial boiler there has been modified by Northern Engineering Industries' International Combustion Division.

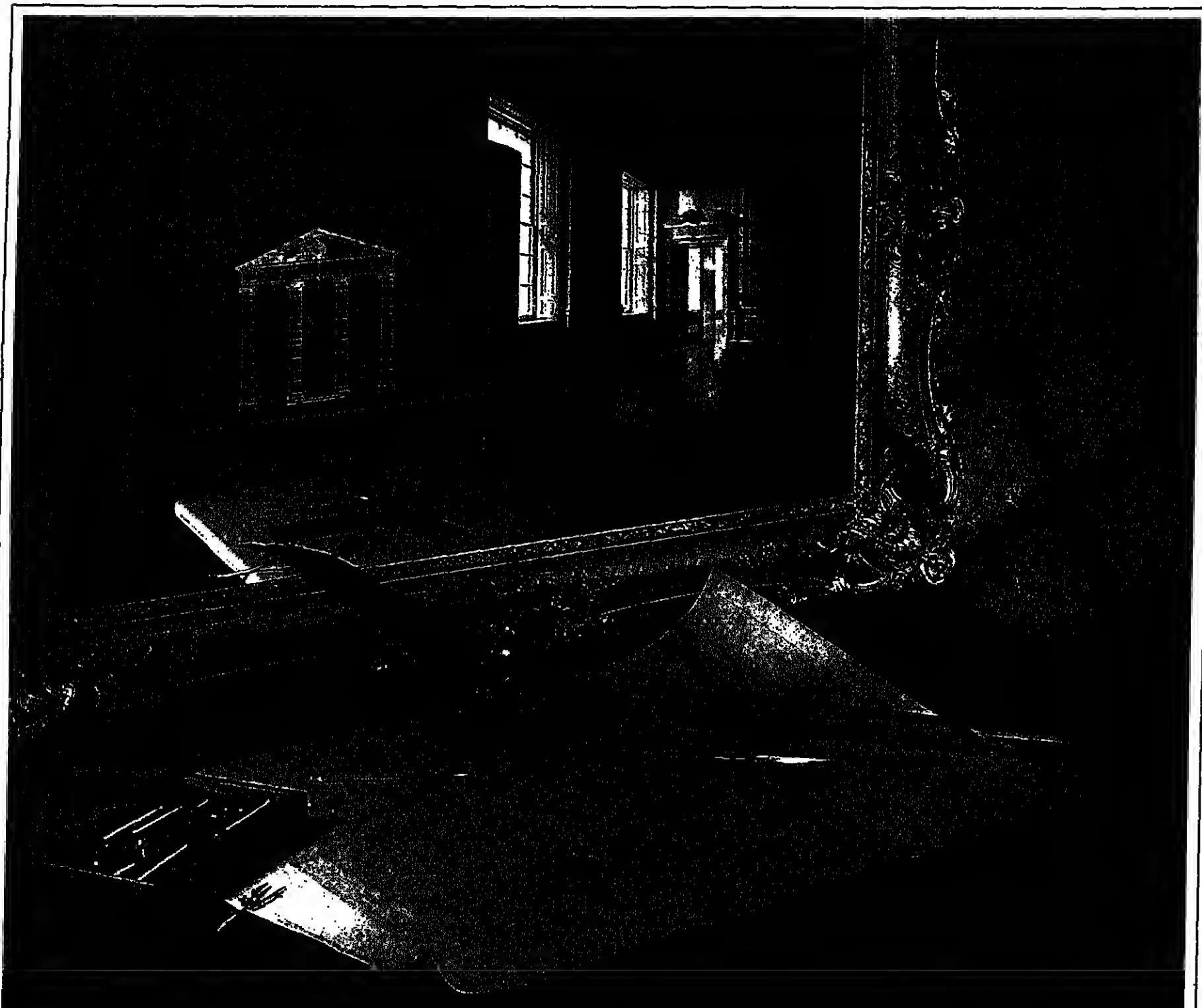
The effect is to divert some of the secondary air away from the coal stream, forming an air curtain around the walls and to add some of the air higher up in the boiler.

This should produce a fireball with a higher fuel: air ratio in the centre of the boiler. As a result, more of the fuel nitrogen is expected to be released as nitrogen gas rather than as NOx. Initial trials achieved NOx reductions of about 40 per cent compared with the 30 per cent target which the board has set itself.

However, the programme could take some time to evaluate. Limiting the air input may result in incomplete and wasteful combustion of the fuel, producing smoke, causing problems with the electrostatic precipitators and the quality of the ash, which the board sells to the building industry.

The changed shape and chemical nature of the flame could also corrode the boiler tubes, accentuated by the high chlorine content of British coal.

In Eggborough and other stations, where the burners are arranged in horizontal banks on the walls of the boiler, the board plans to deflect some of the air sideways to produce a fuel-rich, low-NOx zone in the centre of each burner flame. By the early 1990s, the board expects to have a good idea of how much NOx reduction would be achieved by modification of all its stations at an estimated total cost of £250m.



When a comparatively unknown Norwegian company first became European leader in super-mini computer systems, those in the know quite reasonably perceived an element of difference.

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This announcement appears as a matter of record only.

Société Générale

HK\$275,000,000

Fixed Rate Negotiable
Hong Kong Dollar Certificates of Deposit

Manufacturers Hanover Asia Limited acted as the lead manager and arranged the accompanying interest rate swap.

MANUFACTURERS HANOVER

This announcement appears as a matter of record only.

\$74,315,000

Missouri Higher Education Loan Authority
(A Public Instrumentality and Body Corporate and Politic of the State of Missouri)

Manufacturers Hanover Trust Company acted as senior manager for the above transaction.

MANUFACTURERS HANOVER

This announcement appears as a matter of record only.

A wholly owned Subsidiary of
American Home Products Corporation
has acquired
The Consumer Products Assets of
Tico Industrial Co., Ltd.

Manufacturers Hanover Trust Company initiated this transaction, acted as financial Advisor and assisted American Home Products Corporation in the negotiations.

MANUFACTURERS HANOVER

This announcement appears as a matter of record only.

Hertz Penske Truck Leasing, Inc.

\$82,000,000

Three Year Interest Rate Swap

Manufacturers Hanover Trust Company arranged this transaction.

MANUFACTURERS HANOVER

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Korea Exchange Bank

£100,000,000

Floating Rate Notes due 1994
Convertible at the option of the holders into U.S. Dollar denominated Floating Rate Notes due 1994

Manufacturers Hanover Limited acted as lead manager.

MANUFACTURERS HANOVER

This announcement appears as a matter of record only.

\$315,000,000
Syndicated Revolving Credit Facility
\$126,000,000
Interest Rate Swap
For the Acquisition of
National Medical Care, Inc.
By
NMC Acquisition Corp.

Manufacturers Hanover Trust Company arranged this facility and the accompanying interest rate swap.

MANUFACTURERS HANOVER

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The Mitsubishi Trust and Banking Corporation

Manufacturers Hanover Limited acted as lead manager.

MANUFACTURERS HANOVER

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Glendale Federal Savings and Loan Association

Swiss Francs 100,000,000

Mortgage Collateralized 5% Bonds 1985-1995

Manufacturers Hanover (Suisse) SA acted as a lead manager. Manufacturers Hanover Trust Company arranged the accompanying currency swap.

MANUFACTURERS HANOVER

This announcement appears as a matter of record only.

Manufacturers Hanover

HK\$

Negotiable
Hong Kong Dollar

Manufacturers Hanover

MANUFACTURERS HANOVER

This announcement appears as a matter of record only.

Manufacturers Hanover Trust

\$100,000,000

Floating Rate Notes due 1992

Manufacturers Hanover Trust Company acted as lead manager.

MANUFACTURERS HANOVER

This announcement appears as a matter of record only.

Beverly Enterprises

\$30,000,000

Senior Notes due 1992

Manufacturers Hanover Trust Company arranged the direct placement of the above Notes.

MANUFACTURERS HANOVER

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\$26,000,000

New Hampshire Higher Educational and Health Facilities Authority
Student Loan Revenue Bonds

New Hampshire Higher Education Assistance Foundation 1985 Issue Series A

Manufacturers Hanover Trust Company acted as co-senior manager for the above transaction.

MANUFACTURERS HANOVER

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Bética de Autopistas, S.A.
Concesionaria del Estado

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WORLD TRADE NEWS

Bonn to provide DM 320m in chip subsidies

BY JOHN DAVIES IN FRANKFURT

THE WEST German Government has given the go-ahead for payment of subsidies totalling DM 320m (\$196m) over four years to help finance a German-Dutch effort to develop a powerful new generation of semiconductors.

The project is a joint effort of Siemens, the West German computer and electrical concern, and Philips, the Dutch electronics group.

The Dutch Government has already indicated it will provide the equivalent of DM 160m to support the project, which is aimed at matching microelectronics developments under way in Japan and the US.

Siemens is aiming to develop a four-megabit Dynamic Random Access Memory chip capable of storing more than 4m bits of data, while Philips aims to develop a static chip with similarly advanced capability.

The Bonn plan to subsidise the project has been politically controversial, partly because Siemens entered into a co-operation agreement with Toshiba of Japan last July.

The West German Federal Research Ministry was taken by surprise by the Toshiba pact and has therefore framed the con-

ditions of its subsidy arrangement very carefully.

It is understood that the arrangement is to be reviewed if there is any further Japanese link-up.

The ministry expects the four-megabit chip to be developed by the end of 1988 at the latest. Siemens entered into the pact with Toshiba to speed up the production of a one-megabit Random Access Memory chip capable of storing more than 1m bits of data.

As a result of gaining production technology, "know-how" from Toshiba, Siemens expects to produce its one-megabit chips at a new plant at Regensburg in Bavaria next year.

This will be about a year earlier than originally planned, although it will still lag behind the start-up of Toshiba's own production of a one-megabit chip in Japan.

The Bonn Government will provide about DM 243m to Siemens and DM 77m to Valvo, a West German subsidiary of Philips, between now and 1988. The Government decided to back the project out of concern that German and European companies are falling too far behind Japan and the US in semi-conductor technology.

Superpower trade talks test summit progress

BY PATRICK COCKBURN IN MOSCOW

SOVIET OFFICIALS and some 400 US businessmen representing 150 companies started four days of trade talks in Moscow yesterday in what is seen as a first test of better superpower relations since the Geneva Summit.

The Communist Party daily Pravda described the meeting, arranged by the US-USSR Trade and Economic Council, as having much greater potential in the aftermath of last month's talks between Mr Mikhail Gorbachev, the Soviet leader, and President Reagan.

Soviet exports to the US last year were worth \$350m (\$237m) and imports registered \$3.3bn, though this consisted largely of grain. Soviet imports of American manufactured goods totalled

\$110m, against \$4.5bn from Western Europe and Japan. Mr James Giffen, the US president of the privately run council, said yesterday he thought US non-grain exports could rise to \$2bn under existing US legislation and had a potential of \$15bn if legal restrictions were lifted.

US exports to the Soviet Union surged in the early 1970s when détente flourished but the passage of the Jackson-Vanik trade amendment through Congress in 1975—linking trade with the Soviet Union to Jewish emigration—reduced the flow of goods. Moscow has sought Most Favourable Nation status in the US in order to increase its exports.

Mr Giffen said that several small contracts would be signed this week between US companies and Soviet organisations, but that the best long-term opportunity for the US winning large contracts was in the development of Soviet oil and gas fields.

Last year Mr Gorbachev identified four prime areas for US-Soviet economic co-operation: energy, agribusiness, plants to manufacture consumer goods and the re-equipment of Soviet industry.

The friendlier atmosphere between Washington and Moscow as a result of the Geneva Summit has led to an increase in the number of US businessmen coming to Moscow this year. Mr Giffen said. Soviet trading organisations are unlikely, however,

to buy more from the US unless trade restrictions with the USSR are eased. Soviet officials also want guarantees on the sanctity of contracts. This week's meetings are important for their symbolic significance rather than as a precursor of a boom in US-Soviet trade, say diplomats.

West Germany, France, Finland and Italy, all major consumers of Soviet oil and gas as well as exporters of manufactured goods, are likely to keep their pre-eminence in trade with the Soviet Union.

The political nature of the talks on improving trade links is underlined by the attendance of Mr Malcolm Baldrige, the Commerce Secretary.

Even within Western Europe, the overall net profit figure includes substantial profits earned by such airlines as British Airlines, as well as much smaller profits and some losses incurred by others.

Mr Karl Heinz Neumeister, secretary-general of the AEA, says that the 1985 results for the AEA members had been achieved largely through cost-cutting exercises which had helped to reduce the airlines' overall interest burden on the procurement of new equipment and other items.

"It is an uncomfortable fact that annual load factors (the percentage of available seats filled) of around 66 per cent

European airlines set for jump in profits

BY MICHAEL DONNE

EUROPEAN airlines collectively are expected to earn net profits of \$900m (\$642m) during 1985, up about 20 per cent against net profits of \$745m during 1984 and a break-even result in 1983.

This figure, produced by the Association of European Airlines (AEA), which includes 20 major airlines in that area, compares with the overall net profit of between \$100m and \$200m for the 140 member-airlines of the International Air Transport Association (IATA), which includes all the AEA member-airlines.

The IATA figure is reached by deducting the losses incurred by many airlines from the profits earned by others. For 1986, the IATA is forecasting a net loss of \$500m for its members.

Even within Western Europe, the overall net profit figure includes substantial profits earned by such airlines as British Airlines, as well as much smaller profits and some losses incurred by others.

Mr Karl Heinz Neumeister, secretary-general of the AEA, says that the 1985 results for the AEA members had been achieved largely through cost-cutting exercises which had helped to reduce the airlines' overall interest burden on the procurement of new equipment and other items.

"It is an uncomfortable fact that annual load factors (the percentage of available seats filled) of around 66 per cent

are required to sustain the present level of profitability. "Latest indications for 1985 suggest a situation very similar to the previous year with an overall traffic growth of 5.5 per cent not quite keeping pace with capacity."

"We expect the same increase next year, but a capacity increase of nearly 7 per cent will bring load factors down to 65 per cent."

"However, with an additional reduction in the interest burden, the bottom line should be further improved. The possibility of a 50m net profit for next year is not impossible," Mr Neumeister said.

The Association has also produced a broad blueprint for the type of new long-range airliner of medium seating capacity that its members would most like to see developed.

Such an aircraft would seat no more than 330 passengers, with between 5,000 and 7,000 nautical miles non-stop capability, and should become available for service by 1990.

The aim of such an aircraft would be to fly over long-distance routes where traffic densities do not justify the use of larger aircraft, such as Boeing 747s.

Mr Eric Jackson, general manager, technical affairs, for the AEA, said that the member-airlines of the association are able to achieve cost-benefits by submitting a collective specification to aircraft manufacturers.

S. Korea venture for Ford

By Steven B. Butler in Seoul

FORD the US car company, and Mazda Motors of South Korea are to establish a \$40-50 joint venture to manufacture automotive components in South Korea.

The venture, set to be signed on Thursday, is Ford's first direct investment in South Korea's rapidly growing car industry and completes the representation of the US big-three car makers.

General Motors has a venture with Daewoo Motors for the assembly of automobiles and parts manufacture. Chrysler has also recently established a joint venture for procurement and eventual production of automotive parts, leading possibly to car assembly.

Ford's \$25m (\$5.3m) venture will include building a new plant outside Seoul to make 450,000 aluminium radiators annually, beginning in 1987. Other climate-control related components will be produced later to supply the South Korean car industry, and for export.

Ford is known to be holding discussions with KIA Motors about the possible purchase of equity in the company.

Beginning in 1987, Ford will sell about 70,000 minicars made by KIA in the US.

Chinese disappoint EEC traders

BY COLINA McDONOUGH, RECENTLY IN BRUSSELS

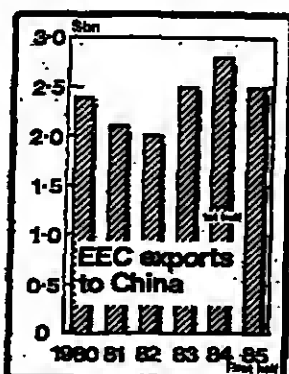
BAD LUCK continues to dog the European Community's efforts to stimulate trade with China. A meeting in 1981 was hit by the cancellation of many substantial contracts due to a shortage of foreign exchange, and the same problem affected last week's China business conference held in Brussels.

Contrary to expectations, many of the Chinese negotiators present were interested only in joint ventures, rather than outright purchases.

A dozen or so contracts were signed, worth perhaps \$100m, though conclusion of negotiations is still months away. But the bonhomie and champagne dispensed at the signing ceremonies gave a lift to an event which otherwise focused on laying foundations for the future.

Included in the deals was an agreement made with BASF of West Germany to build two chemical plants worth \$20m and a contract with the French Usinor group for a sintering line to go to the huge Wuhan steel works in the north of China, which was undisclosed.

Nearly 200 Chinese and 300 Europeans were clustered together last week in the Sheraton Hotel under the auspices (and to some extent at the expense) of the EEC. A central government delegation led by State Councillor Zhang Jinfu was accompanied by groups from 11 provinces who set up their negotiating tables haphazardly in a large hall adjoining the main reception area.



haven't enough for their projects, the rest will have to come from joint ventures."

A major problem for the foreign partner in joint ventures is that there is no way of knowing whether the end-product will be satisfactory. "They are offering us a joint venture in microchips," said one businessman from an electronics company which has already sold \$30,000 worth of equipment to China. "But in a couple of years' time, will their chips be as good as US ones?"

Despite the difficulties, the conference format and the number of provinces present made the chances of finding a suitable partner less remote. The alternative for the Europeans is an extended time searching out projects at first hand. Contacts made may be useful when China's trade situation becomes easier.

China's share of the Community's total trade is still quite small, but has made a big jump this year. European exports to China increased by over 90 per cent from \$1.3bn in the first half of 1984 to \$2.5bn in the same period this year. The trade balance moved from a deficit in the first half of 1984 to a \$225m surplus by the end of June this year.

China is not happy about this, but division chief Feng expects an improvement by the end of the year. "We have stepped up our exports," he said. "We hope the EEC will make it possible to increase our sales further by removing restrictions and expanding textile quotas."

Hong Kong airline hearing concludes on bitter note

BY DAVID DODWELL IN HONG KONG

THE six-day hearing of Hong Kong's Air Traffic Licensing Authority (Atla) closed yesterday on a bitter note with Hong Kong Dragonair Airlines attacking its opponent, Cathay Pacific Airways, as "paranoid".

Dragonair, the fledgling Hong Kong carrier has applied to fly 10 routes in the China.

Cathay Pacific, Hong Kong's de facto flag carrier, warned that if the tribunal approved licences for Dragonair to fly to Shanghai and Peking—the only routes to which it has objections—then the two airlines would be "set on a collision course".

Dragonair has argued that the application for routes into China must be taken as a single

package, since the lucrative routes to Peking and Shanghai would provide profits to underwrite the untested inland routes.

Mr Justice Pellingham, who has headed the Atla hearing, is likely to rule on Dragonair's application next week.

If Dragonair succeeds, it must apply to be designated to fly the routes, and must win air traffic rights from China's aviation authorities before being allowed to start operations.

The controversial new airline, controlled by Hong Kong shipowner Sir Yue-Kong Pao through his subsidiary Eastern Asia Navigation, has begun charter flights between Hong Kong and Xiamen.

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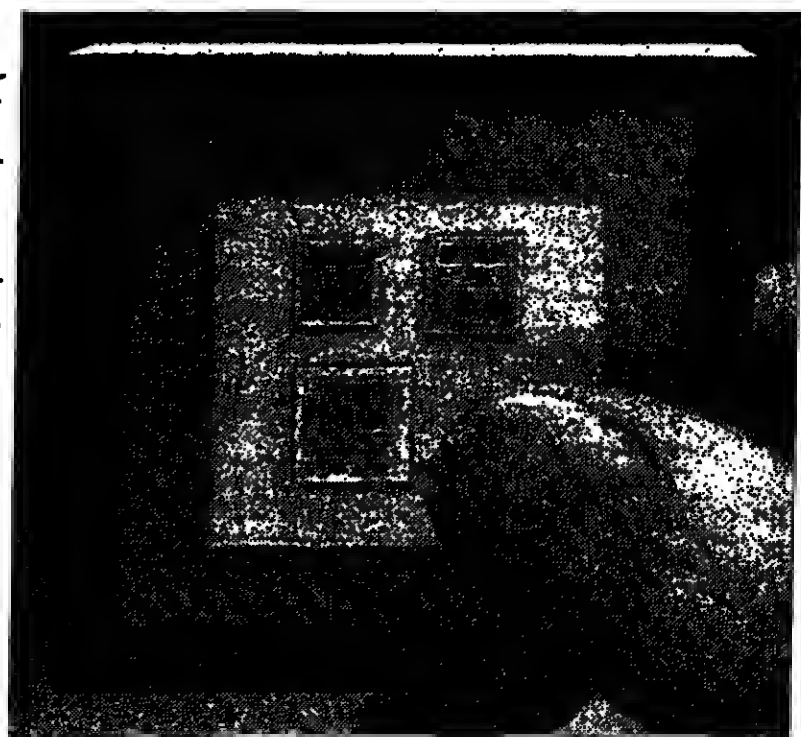
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UK NEWS

Law will end tradition of dons' jobs-for-life

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

LAWS clearing the way for universities to sack dons for bad work are promised by a government consultative paper published yesterday.

It says statutory commissioners will be appointed to end the tradition by which established academic staff are often granted almost lifelong tenure of their jobs.

The prime task of the three commissioners will be to amend universities' statutes so that they provide for dons to be dismissed for reasons of redundancy or financial exigency. These provisions will apply only to academics appointed after the enactment of the legislation, which is unlikely to be introduced in parliament before 1988-89.

The commission will also have power to make changes enabling any don to be sacked more easily for unsatisfactory performance of his or her duties. The consultative paper says that present rules for

dismissal on such grounds tend to be ambiguous and the procedures for carrying out the dismissals are often cumbersome.

When the commission has completed the necessary changes - which are expected to take at least two years - the legislation providing its powers will be wiped from the statute book. Any further amendments to universities' charters will then have to be made individually through procedures in force before the commission was set up.

The proposals follow more than three years of discussions about limiting dons' tenure between Sir Keith Joseph, Education Secretary, and university authorities.

The tenure was recently criticised by the National Audit Office as among the reasons for the wasteful effects of the £200m redundancy-pay scheme for university academics which the Government introduced in 1981. The Audit Office said the scheme resulted in acute staff shortages in such subjects as engineering and computer science. These are subjects in which it was government policy to increase the institutions' teaching capacity.

Changes to the tenure system, including increases in power to sack dons for bad work, have been advocated both by the University Grants Committee and the Committee of Vice-Chancellors and Principals.

The Association of University Teachers (AUT) has described the Government's proposals as unnecessary and dangerous.

Most of the institutions already had power to get rid of incompetent academic staff, Miss Diana Warwick, the AUT general secretary said. "What the Government is trying to produce is a charter for rapid hire and fire."

Acid rain film angers Norway

BY ANDREW GOWERS

NORWAY launched a bitter attack yesterday on the Central Electricity Generating Board (CEGB), accusing it of distorting the facts in the controversy over acid rain pollution.

Mr Jan Thompson, director general of the country's Environment Ministry, told a press conference in London that a video film produced by the CEGB this autumn to promote its arguments over acid rain "clearly and cleverly" sought to minimise the problem.

"The film gives an unbalanced and biased view of acid precipitation," he said. He also objected to the fact that the CEGB had made

the film in Scandinavia without consulting the local authorities.

The CEGB strongly denied that the film was misleading.

Mr Thompson's remarks reflect fresh strains in diplomatic relations between Britain and Norway over the acid rain issue.

Oslo argues that Britain should join other European countries in taking action to reduce sulphurous emissions from its power stations, which it says are polluting Scandinavian lakes more than those of any other country.

Britain has refused to do so, on the grounds that there is insufficient scientific evidence to warrant such action.

The question was raised during a meeting last month between Mrs Margaret Thatcher, the British Prime Minister, and Mr Kåre Willoch, her Norwegian counterpart. Yesterday the Norwegian Embassy delivered another letter on the subject to Downing Street from Mr Willoch.

Officials stressed that this was not intended as a diplomatic protest. "We are talking about arguments and counter-arguments between friends," said one.

The Norwegians, however, have obviously been disturbed by the CEGB film. Mr Thompson warned that tensions could increase further over the issue.

Airship group confident on licence

By Michael Dome, Aerospace Correspondent

AIRSHIP INDUSTRIES, the Australian-controlled but UK-based manufacturer of lighter-than-air craft, is pressing ahead with plans for eventual listings on the London and Australian stock exchanges.

The company, which is more than 64 per cent controlled by Mr Alan Bond's Australian Bond Corporation, earned a small operating profit in the 15 months to end-June, compared with a loss of more than £50m in 1983-84.

Mr Bond told the annual meeting in London that the company was "well on the way" towards obtaining a certificate for the bigger Skyship 600 craft. The Skyship 500 won its certificate last September.

All Skyships to be built through 1986 had now been allocated to prospective customers. He felt the company had a great profit potential in defence, advertising and tourism.

Negotiations were in hand with at least three governments for the sale of further airships.

Mr Bond said he was confident that in partnership with Westinghouse of the US the company would win the next stage of the contract to develop a larger, long-endurance airship for early warning and fleet protection duties. Such a contract might be awarded in the new year.

Research into the long-endurance craft would be vitally important to the company in pioneering its envisaged 200-seater civilian transport version.

One long-term plan was to provide 500 lightship trips over London if currently heavy aerial advertising contracts permitted. First chances of such trips would go to existing shareholders.

Mr Bond said he was certain that with the developing level of revenue, research and technology Airship Industries had put past difficulties firmly behind it and was on a sound commercial footing.

The British Caledonian Group has reaffirmed its intention to sell its Blue Sky Holidays subsidiary and to cease operating charter-based European inclusive-tour package holidays from next summer, because of the price war in the tour industry.

Sir Adam Thomson, chairman of the group, which includes British Caledonian Airways (BCA), said yesterday that negotiations for the sale of Blue Sky were in progress, with an announcement expected later this week.

He confirmed that the complete range of Blue Sky winter 1985-86 programmes would be operated in full under the British Caledonian group control. Holidays already sold were guaranteed to operate and new bookings were also being taken. But whichever company bought Blue Sky would take control of the summer 1986 programme from British Caledonian's subsidiary, Caledonian Leisure.

The British Caledonian Group's other subsidiary, Arrowsmith Holidays, was the subject of separate sales talks but would also fulfil its current winter programme.

Sir Adam said the decision to sell the tour companies and withdraw from European inclusive-tour operations had been taken with great reluctance.

"Our previous strategy was to expand inclusive tour operations through acquisitions. However, the pricing policies being deployed by the major tour firms are undermining the balance of the inclusive tour industry, and would have led to losses for Blue Sky in 1986 which could not be justified to our shareholders."

"We have had to be entirely realistic, on behalf of both staff and shareholders, in deciding that there is no alternative to the current course of action."

Executive pay rises widen differential with other employees

BY JOHN LLOYD, INDUSTRIAL EDITOR

EXECUTIVE PAY continues to rise by around 8 per cent a year, a level of increase which seems likely to continue as differentials between executives' and blue and white-collar workers' pay continue to widen.

These findings, from Incomes Data Services and Hay-MSL, come at a time when the Government and industry leaders are engaged in a sustained effort to "talk down" the general level of pay settlements because of the effect on competitiveness of awards above the level of inflation. The evidence continues to show that there is no trend towards "setting a pay example" among management.

The IDS survey of 72 companies in the manufacturing, service and public sectors shows that company pay review guidelines average 7.9 per cent, with a range of 6-11.7 per cent. In the service sector, awards went as high as 20 per cent, while in the manufacturing sector, they went up to 15 per cent.

In those companies where rolling reviews are planned the level set varies between 7 and 9 per cent, roughly the same as in the last quarter of this year. The companies include Amoco, Colgate Palmolive, Control Data and Mobil Oil.

About two thirds of the companies surveyed show that two thirds of private sector companies pay a general award plus a merit element - and that these companies average higher total awards than those companies which pay merit only. The average general award was 6.4 per cent and the average additional merit budget was 2.6 per cent.

In the accountancy, data processing and sales sectors, employers report continuing high salary market pressure. This is particularly high in the City of London. In electronics, however, some companies report a slackening of pressure because of the downturn in the market and salary increases are going down.

Partly in response to market forces at the top end of the salary range, differentials between the shop floor and the executive suite are stretching. Over the past six years, the narrowing differential gap between workers and managers has been reversed, according to Hay-MSL research.

The survey says the reasons for the increases include:

- Awards are more easily made to top managers because there are fewer of them.
- Employers have wished to reward top executives as profits increased.
- Companies have wished to extract a greater effort by paying more to senior managers in sectors struggling with recession.
- Bonuses are being increasingly granted to senior managers and board members.
- The Top Salaries Review Body recommendations on senior civil servants' pay widened the differential between the top posts and those further down the structure.

Four yards compete for submarine orders

BY ANDREW FISHER, SHIPPING CORRESPONDENT

ORDERS FOR up to three diesel-electric submarines, worth a total of about £300m, are likely to be placed by the Government before Christmas, with four yards in England and Scotland competing to carry out the work.

Vickers Shipbuilding in Barrow-in-Furness, north-west England, is already building the first submarine, HMS Upholder, in this Type 2000 class.

The Vickers yard, now up for sale to the private sector along with other warship yards, is also in line to build one or more of the next ships in the series.

So is Cammell Laird on Merseyside, a subsidiary of Vickers under a recent reorganisation by state-owned British Shipbuilders (BS).

Cammell Laird won a £135m frigate order in January in recognition of its efforts to overcome the effects of last year's lengthy labour dispute. Yarrow on the Clyde, south-west Scotland, which was bought this year from BS by General Electric, hopes to take part in the orders, as does Scott Lithgow, also on the Clyde and acquired in 1984 by Trafalgar House. A Type 2000 submarine costs about £100m, including weapons and other equipment.

Vickers, one of the largest warship yards in Europe, and Cammell Laird are being sold to the private sector together, and a management team has already announced plans for a joint management and employee buy-out, backed by Lloyds Merchant Bank.

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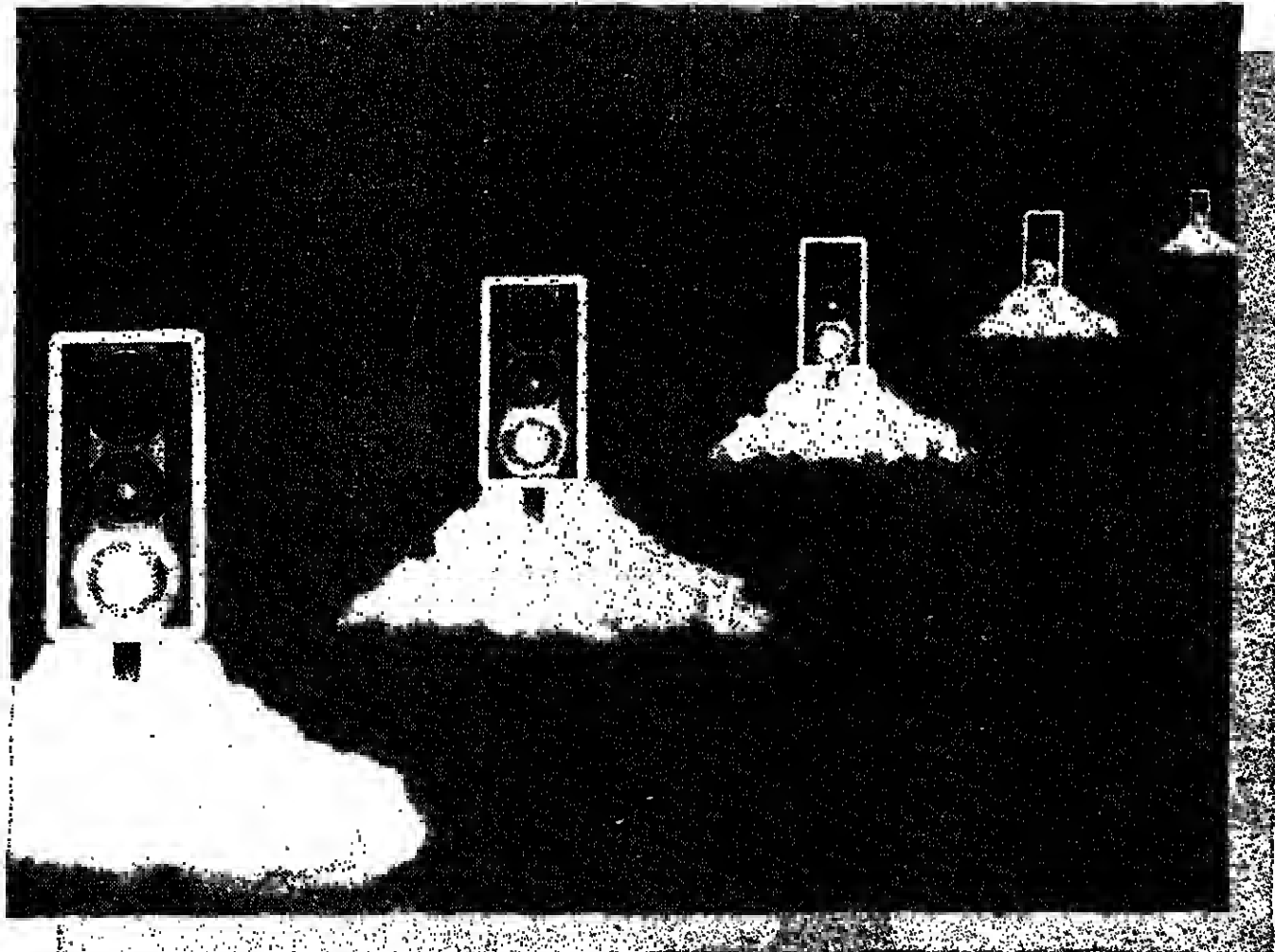


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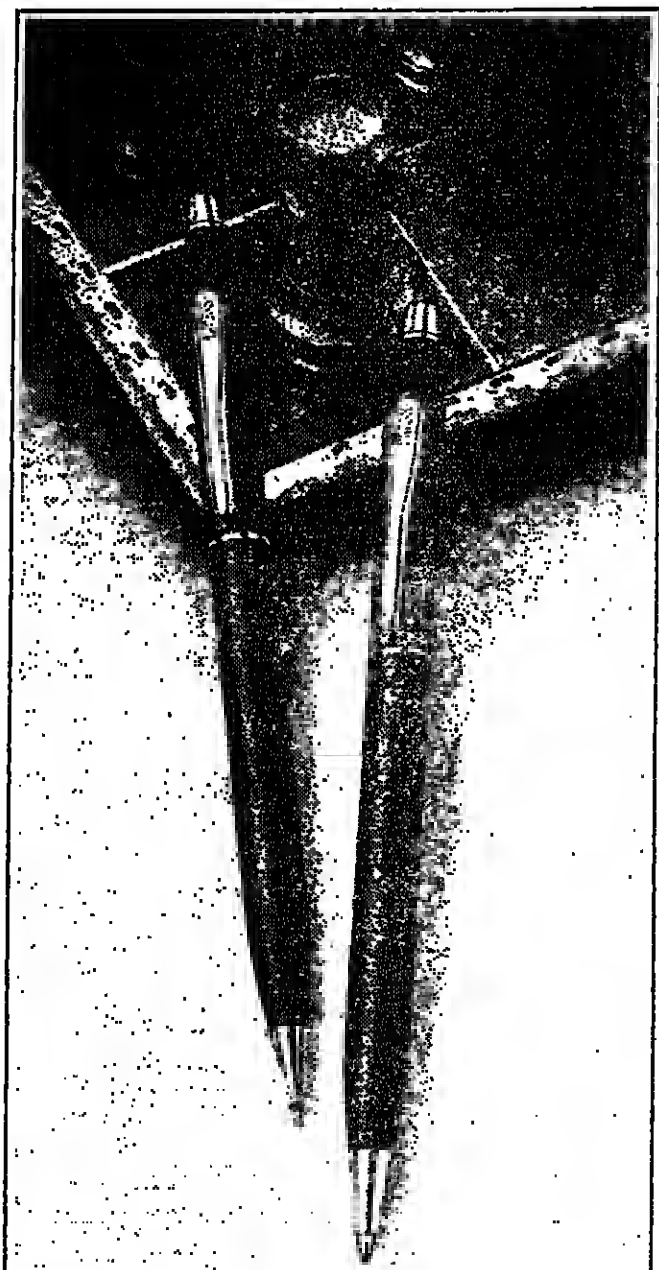
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UK NEWS

MPs call for clearer economic policy stance

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

A REPORT from an all-party committee of MPs said yesterday that there had been a major change in the Government's economic policy and voiced concern at the present high level of British interest rates.

The House of Commons Treasury and Civil Service committee urged the Government to clarify its economic strategy following the Treasury's move to put more emphasis on sterling in setting interest rates and to accelerate the privatisation programme.

The committee's report on last month's Autumn Statement on the economy comes ahead of a meeting today between leaders of the Confederation of British Industry (CBI) and Mr Nigel Lawson, the Chancellor of the Exchequer.

Sir James Clesington, the CBI president, and Sir Terence Beckett, its director general, are meeting the Chancellor to discuss their representations for next spring's budget. They are expected to press industry's case for an immediate cut in interest rates and for a programme

of increased government spending on infrastructure and other capital projects. The CBI plans to finalise its formal recommendations for the budget early next month.

The committee's report says the Government's decision to suspend its target for the growth rate of the broad measure of the money supply, starting M3, and to give increased importance to the exchange rate, had clouded analysis of official policy.

"All this represents a major change from the economic policy explained to us when the present Government took office... We think it would be helpful if the Government was to recognise this explicitly," the MPs say.

In a reference to the current level of borrowing costs, the report says it appreciates the Government's caution in bringing interest rates down.

It adds, however, that the use of high interest rates and a strong pound as a counter-inflation instru-

ment could lead to "a significant deterioration in the competitiveness of British manufacturing and a loss of foreign and domestic markets."

The MPs are also critical of Mr Lawson's decision to drop from the autumn statement any indication of projected Government revenues and of the likely scope for tax cuts. Mr Lawson's argument that inclusion of the figures in previous years had provoked damaging speculation was misjudged.

"All that has changed since previous years is that speculators, commentators and other decision makers in the market are less well informed," the report says.

The report says that the economic forecasts in the autumn statement, which project strong growth and low inflation, appear rather optimistic. It voices particular concern over the longer-term outlook for Britain's trade balance.

Editorial comment, Page 20

UK-Japanese group buys London site

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

A JOINT UK-Japanese development company has purchased the former headquarters of the Post Office in the City of London, paving the way for a £150m office development.

Glenagat-KG Properties, formed earlier this year by Glenagat Holdings, the private property company, and Kumagai Gumi, the Japanese construction group, yesterday emerged as the successful bidder for one of the City of London's largest available re-development sites.

The joint company's success pushes it into the big league of developers and gives the Japanese contractor another foothold in the UK property investment market. The same partnership recently announced plans to re-develop the former Bourne & Hollingsworth department store in London's Oxford Street, at a cost of £55m.

The Post Office offered the freehold of the one-storey, St Martin's-le-Grand site for sale by formal tender and since the bids were opened last week, speculation about the identity of the winner had been mounting.

Many of the largest UK property companies and institutions submitted offers and contenders included London & Edinburgh Trust, Hammarson Group and Land Securities.

Glenagat-KG's bid, thought to be about £45m, was not the highest but some other offers were conditional on the total demolition of the existing 300,000 sq ft building, which the City of London Corporation is unlikely to allow.

Planning consent exists for rebuilding the former headquarters building, situated in the heart of a



City of London conservation area, behind the existing facade, which is not deemed to be of special architectural value.

The outline consent envisages about 220,000 sq ft of office floor-space but it is understood that Glenagat-KG's plans envisage a significant increase in that figure.

Mr Julian Markham, Glenagat chairman, said yesterday that the level of interest from large developers and institutions provided "positive proof of the lack of opportunities in the City of London to undertake developments of this size in order to meet the requirements of major occupiers."

Glenagat is expected to seek substantial external funding to help meet its share of the development costs.

Detailed talks with the City of London planning department will begin at once and the company's plans for the site should be unveiled in the spring. Development is expected to be completed within about three years.

Labour pledges banking discipline

A NEW supervisory framework for the banking system would be introduced by an incoming Labour government, Dr Oonagh McDonald, one of Labour's shadow Treasury team, pledged last night, writes Peter Riddell, Political Editor.

Dr McDonald said the unfolding of the Johnson Matthey Bankers affair highlighted the Government's complacency in strengthening banking regulations. She said the Government's proposals so far were totally inadequate.

In relation to the question of who should pay for any future bank rescue bid, she said the Labour Party was examining the possibilities of requiring those operating in the banking sector to contribute to a national fund to deal with such crises.

Labour, she said, would set up a statutory audit commission whose role would be to audit bank accounts and to provide an auditing source for other organisations, both private and public, should they desire it.

This body would be in a position to examine the quality as well as the quantity of a bank's loans, and to accept as its responsibility the detection of fraud.

The commission, in consultation with a bank, would examine its internal control systems, which would generally require updating, and recommend new patterns. These would involve a profile of the bank's loan book, as well as the spread of country risk, Dr McDonald said.

Banks should also have a duty to keep formal records of the relationships between companies and individuals to which loans had been made. There would be a statutory obligation to report in a more detailed form to the Bank of England on these matters.

BRITISH companies will have more opportunities to secure contracts and provide new jobs under the agreement reached with the US on research into its Star Wars programme than under the Trident submarine deal, Mr Michael Heseltine, the Defence Secretary, assured the House of Commons.

In the first such package of work to be awarded to the UK, Ferranti Computer Systems and Heriot-Watt University in Edinburgh are to share a \$285,000 contract in optical computing techniques.

A SURVEY has revealed that Job Centres in Liverpool's inner city have to submit black people for an average of 25 vacancies before they find a job. The comparable figure for whites is 15.

BUSINESS failures in Britain last month were considerably lower than a year before, according to figures produced by Trade Indemnity, a UK credit insurance company.

SCOTTISH mining equipment manufacturer Anderson Strathclyde has won its second big order from China in two months - a £3.7m contract for underground excavation equipment.

TRANSPORT Minister Mrs Lynda Chalker promised a Christmas crackdown on drunken drivers and warned: "We are going to be tough." This year's campaign, spearheaded by the slogan "Think you can drink and drive? Think again," is in contrast to last year's much criticised advice to motorists to "Stay low" and not drink too much.

WORK on a new police station at Larne, County Antrim, was halted because of IRA death threats. Builders fearing for their lives walked off the site - the latest to be hit by the terrorist campaign to bring construction work on police stations to a standstill.

BRITAIN'S film and cinema industry should try to consolidate the achievements of British Film Year by setting up a permanent organisation to publicise the industry, according to a report by the management consultants Deloitte Haskins & Sells.

Manufacturers' raw materials costs show steepest fall

BY PHILIP STEPHENS AND DAVID CHURCHILL

THE GOVERNMENT's forecast of a steep drop in the inflation rate next year received a further boost yesterday with the news that manufacturers' raw material and fuel costs showed the sharpest fall on record in the year to November.

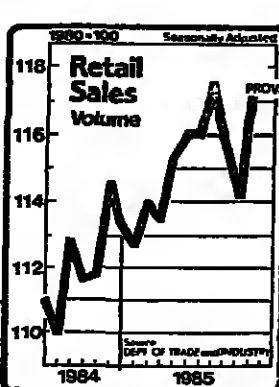
The Department of Trade and Industry said that its index of industry's input prices fell by 3.2 per cent in the 12 months to November, the largest drop since the statistical series was introduced in 1974.

It came despite a rise of 0.5 per cent in the index between the latest two months which, the Department said, reflected a seasonal increase in industry's electricity costs in the winter months. In the same month of 1984, input prices rose by 0.8 per cent and yesterday's figure was below the expectations of most analysts.

The improvement in the costs outlook since the beginning of this year reflects the rebound in sterling's value from its January lows and the general weakness of international commodity and oil prices. Last month both petrol and imported food commodity prices fell, partly offsetting the higher electricity tariffs and a rise in food material prices.

The Department's figures also show that prices charged by manufacturers at the factory gate remain steady after falling back since the beginning of the year. Its index of output prices showed a rise of 0.4 per cent between October and November, leaving the annual rate of growth unchanged at 5.1 per cent. Earlier this year factory gate prices were rising by around 6 per cent on an annual basis.

Retailers are on course for a record level of Christmas sales after a sharp rise in spending in the shops in November.



Provisional figures released by the Department of Trade and Industry indicated that the volume of retail sales increased by 2.6 per cent in November after an overall decline of 3 per cent during September and October.

In November, the seasonally adjusted index of retail sales volume stood at 117.1 (1980 = 100), fractionally lower than the peak of 117.5 reached in August but 4.8 per cent above the level in November last year.

A rebound in November had been expected by both economists and leading department stores. Economists expect the momentum of retail sales to be maintained by strong growth in disposable incomes and a declining savings ratio.

Last month the Treasury forecast that consumer spending would rise by 4 per cent next year against a 2½ per cent rise in 1985. Retail sales figures are likely to reflect the overall trend in consumer expenditure.

The autumn dip in spending is thought to result from unseasonably mild weather which led consumers to delay purchases of winter clothing.

'Milestone' £21m profit for BSC

By Ian Rodger

THE British Steel Corporation (BSC) has reported its first pre-tax profit since 1974, making £21m in the six months to September 28.

Sir Robert Haslam, the chairman, warned that there would be a "short-term pause" in BSC's recovery in the second half because of price weaknesses in some products and a heavy refurbishment programme which was disrupting operations.

Sir Robert said the first-half profit, which compares with a loss of £36m in the same period of 1984-85, was "an important milestone in the recovery of BSC."

These profit figures exclude exceptional items which are said to be insignificant in the current period, but totalled £147m in the comparative period. Trading profits were £40m compared with a loss of £38m.

Sir Robert said the improved performance reflected a lack of disruption from outside the industry, an apparent reference to the miners' strike, which added an estimated £180m to BSC's costs last year.

Sir Robert said the current price weakness in some products was primarily due to the strength of the pound against the D-Mark.

"A greater degree of orderliness and stability in the European steel market is important to the rate of BSC's progress. Substantial overcapacity remains in Europe, which is an attractive market for other world producers, a situation exacerbated by growing US protectionism," Sir Robert said.

"Subject to these concerns, British Steel faces the future with a confidence based on the firm foundation of its achievements in recent years."

Canadian cleared to take over Daily Telegraph

BY RAYMOND SNOODY

THE OFFICE of Fair Trading (OFT) yesterday cleared the way for Mr Conrad Black, the Canadian businessman, to take a controlling interest in the Daily Telegraph newspaper.

Senior management of the financially troubled newspaper and their advisers presented the case for the takeover at the OFT yesterday afternoon.

The OFT decided that the takeover does not have anti-competition implications and will today recommend to Mr Leon Brittan, Trade and Industry Secretary, that it be permitted to go ahead.

It is believed that the recommendation was accompanied by a request for urgency because of the newspaper's financial difficulties.

The issue went to the OFT rather than directly to Mr Brittan, because Mr Black, who has Canadian newspaper interests, does not own newspapers in the UK.

Special provisions of the fair trading legislation applies to concentration of newspaper ownership. Heads of agreement were signed on Friday on a deal which will give Mr Black between 50 per cent and 51 per cent of the Daily Telegraph's shares.

The deal was subject to a number of conditions, the main two of which are the approval of the OFT and the Takeover Panel.

The agreement signed on Friday commenced an onerous process which will give Conrad Black more than 50 per cent of the company, one of the participants said yesterday.

The deal, in the form of a rights issue and the purchase of some existing shares, involves about £20m. This means that Mr Black, who earlier this year paid £10m for a 14 per cent stake in the Daily Telegraph,

will have paid a total of £30m for control. Mr Black, it is being emphasised, does not intend to become involved in the day-to-day running of the Daily Telegraph and Sunday Telegraph.

The aim is still to appoint Mr Andrew Knight, editor of the Economist magazine, as chief executive to run the company under Lord Hartwell, the existing chairman and editor-in-chief.

Mr Knight said at the weekend that when Lord Hartwell first approached him with an offer of the chief executive's job he said he was happy where he was at the Economist.

But it is clear that Mr Knight will be formally approached again and at least some Daily Telegraph directors believe he will accept.

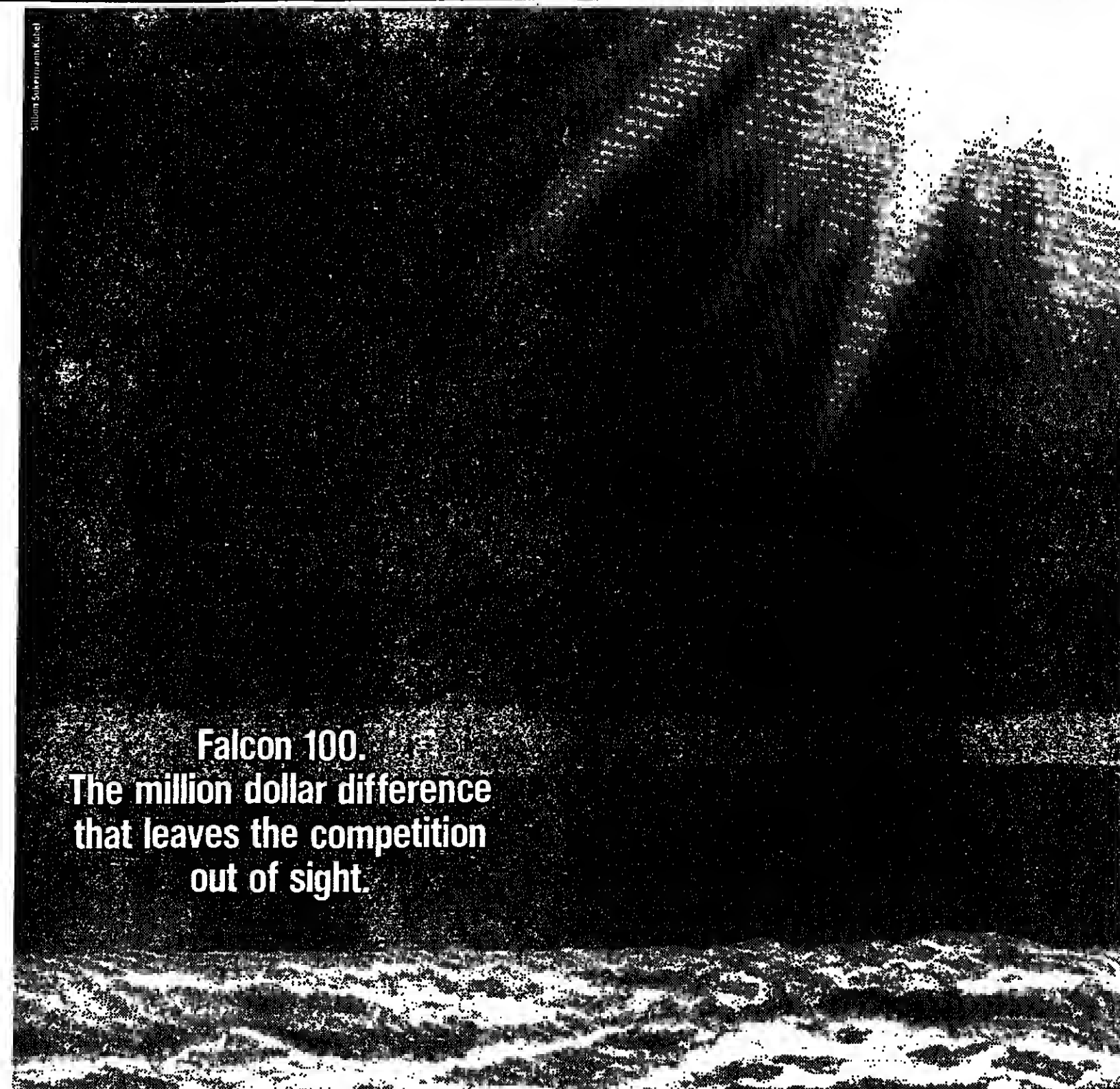
Mr Knight declined to comment yesterday. As soon as the formalities of the change of ownership have been completed a package of changes at the newspaper will be announced.

These will include delayed interim results which will show a heavy loss and significant management changes.

Last month journalists at the Daily Telegraph and the Sunday Telegraph voted unanimously to express no confidence in the management's ability to save the company from bankruptcy.

One of Britain's leading provincial newspapers, the 150-year-old Morning Telegraph in Sheffield, South Yorkshire, is threatened with closure, its managing director Mr Colin McNamee said yesterday.

The newspaper was already "very, very vulnerable," Mr McNamee said, and could be killed off by local estate agents' plans to launch a free property guide.



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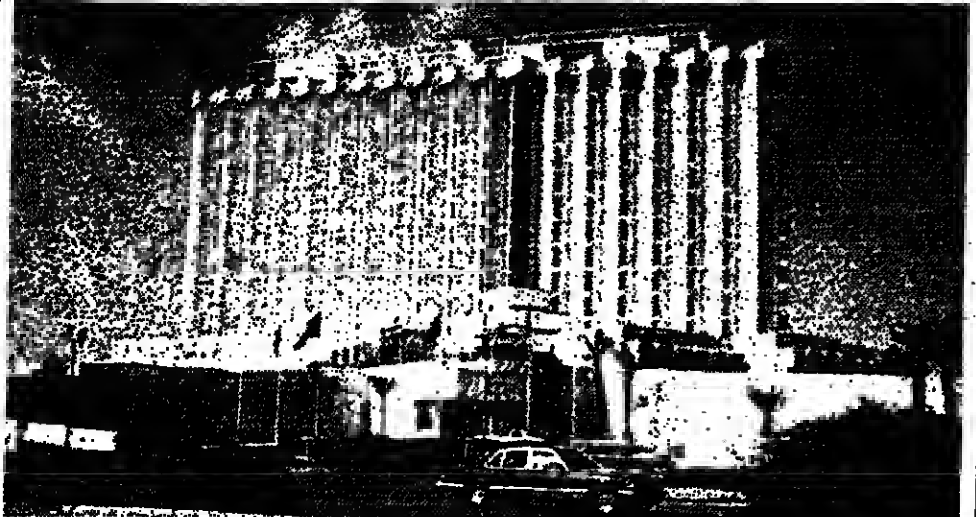
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UK NEWS

Scots seek quick nuclear inquiry

David Fishlock previews Britain's next planning battle

THE FIRST skirmish of a new British nuclear public inquiry takes place this week - before the report is finished of the inquiry into the proposed pressurised water reactor at Sizewell on England's east coast. Those for and against plans to build a spent-fuel reprocessing plant at Dounreay in the north of Scotland have been summoned to a preliminary hearing on Thursday in Thurso, 14 km from the proposed site, to help to establish guidelines for an inquiry beginning on February 17 1986.

The Scots are determined to show that they can do better than Sizewell, which at 27 months was Britain's longest public inquiry. They believe they may get it completed in six weeks, by adhering severely to the point at issue: is Dounreay, in Caithness, a suitable site for the proposed plant?

The proposal is outlined in an environmental impact assessment prepared by the two proponents, the UK Atomic Energy Authority (AEA) and British Nuclear Fuels (BNF). They are seeking outline planning permission for this proposal.

A 117-page environmental impact assessment, designed to EEC requirements, describes a £200m plant to be paid for and run on behalf of a "club" of six European nations - Belgium, France, West Germany, Italy, the Netherlands and the UK - in support of long-term

aims to develop an economic fast reactor system fuelled with plutonium.

The plant will not be needed until early in the next century. But its proponents believe that, if Britain is to make a bid to host it, they must first assure their European partners that their plans have won public acceptance in Caithness.

Caithness is probably the most solidly pro-nuclear community in Britain. The main employer is the AEA's Dounreay Nuclear Establishment, an internationally known centre of fast reactor development. The £22m it pays in wages this year represents about 25 per cent of Caithness district's total earned income.

But the plans will intrude on surrounding Scottish communities, because they involve transport of radioactive materials from Europe to and from the site. Some of these communities - for example, the Orkney Islands - are hostile to nuclear activities.

As proposed, the new European Demonstration Reprocessing Plant (EDRP) is a second scale-up of a process practised at Dounreay for 20 years and is almost identical.

Since 1979, this process has chemically treated seven tonnes of spent plutonium fuel from the 250 MW prototype fast reactor at Dounreay and purified 1.3 tonnes of plutonium for re-use as fuel.

depend on the speed and efficiency with which plutonium can be returned to the reactor. The European club wants to demonstrate the fuel cycle serving about 5,000 MW of fast reactor capacity, reprocessing at least 50 tonnes of fuel a year.

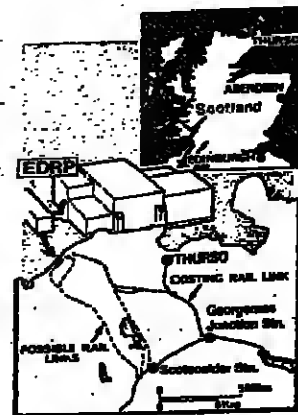
At present, club members can muster no more than 15 tonnes of annual capacity between them, spread among four pilot plants at Dounreay and in France, West Germany and Italy.

EDRP is planned to reprocess 60-80 tonnes of fuel a year; up to 500 fuel assemblies, varying from 90-200 kg in weight, depending on the design of reactor. They would come from four demonstration fast reactors in western Europe, the first of which - Superphenix, 1,200 MW - is expected to generate power for the first time this month.

This fuel will reach Scotland by sea in 80-tonne casks. The proponents want it to reach EDRP by rail, to avoid interfering with the coastal road serving Dounreay.

They propose a sea terminal at Invergordon, 120 km away, similar to one at Barrow in Cumbria, which handles overseas spent fuel for the Sellafield reprocessing plant.

Opponents are likely to see this proposal as a promising point of attack, since it involves communities well away from Caithness. Still more promising, from their viewpoint, may be the proposal for re-



Shake-up ahead at Stanley Gibbons

By Lucy Kellaway

STANLEY GIBBONS, the stamp dealer, which was forced to abandon its Unlisted Securities Market (USM) flotation last year, has informed shareholders of fresh difficulties resulting in the dismissal of Mr David Stokes, managing director, and Mr Michael Bray, finance director, from their executive positions.

In a letter sent to shareholders last week accompanying Stanley Gibbons's annual results, Mr Ronnie Aitken, chairman, said that Mr Stokes and Mr Bray had given an unlimited bank guarantee without the knowledge of the rest of the board on the debt of Frimarksbust AB, a subsidiary company, sold last year.

Stanley Gibbons is being asked to honour that guarantee. A £400,000 extraordinary write-off appears in the latest accounts.

The letter says: "Your board, with the exception of Mr Stokes and Mr Bray, was unaware of the existence of an unlimited guarantee, signed by Mr Stokes and Mr Bray in May 1983 in respect of Frimarksbust's borrowings. When Mr Bray negotiated the sale of the group's residual shareholding, the guarantee was not released. Your board has taken legal advice and will take all possible action to effect recovery of the sums involved."

Other senior management changes have also been made as a result of the company's depressed trading performance. Profits on ordinary activities for the year to last June fell sharply to £236,000 (£837,000), due in part to an "unacceptably high" level of overheads and to an expensive promotional campaign of "thematic" stamps, aimed at a wide retail audience.

Mr Aitken took over from Mr Clive Feigenbaum, last May, after allegations concerning Mr Feigenbaum's business background caused the stock exchange to refuse permission for dealing in the shares.

"The management control when I got there was ghastly," Mr Aitken said. "What we have got to do now is to get the company making solid profits again before we can think of getting a listing."

Both Mr Stokes and Mr Bray are taking legal advice on their dismissals. The resignation of Mr Stokes from the board was initially described in a September press release as enabling him to pursue other interests.

Last weekend he said that corrective action on overheads had already been taken in some areas. He added: "The company's auditors have produced a clear statement relating to the Swedish bank guarantee that was available to the chairman and to other members of the board."

Mr Bray has not yet resigned from the board. A proposal to remove him will be voted on by shareholders at the annual meeting this month.

Former Colt chief given £200,000

By Kenneth Gooding, Motor Industry Correspondent

MR MICHAEL ORR, former chairman of the Colt Car Company which he helped to set up to import Mitsubishi vehicles from Japan to the UK, received £200,000 compensation after he resigned in April 1984.

The Colt accounts, now published, also show that Mr Orr was paid £126,223, excluding pension contributions, in his last year as chairman.

Colt, based in Cirencester, suffered an increased net loss of £3.12m for the year which ended in March, up from a deficit of £2.98m for the previous 12 months.

Mr Peter Beaumont, who took over as managing director after Mr Orr's sudden resignation, said at the weekend: "We are trading profitably this year - and we intend to go on doing so."

The Colt accounts are qualified by the auditors, who point out that the company's distribution agreement with Mitsubishi Motors expires in 1986. Colt's future very much depends on the renegotiation of that agreement.

Mr Beaumont said negotiations for another five-year extension of the agreement from 1986 were at an advanced stage and it was "highly unlikely" there would be any problem.

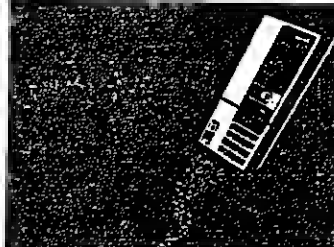
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Commencement of listing of ordinary shares

The listing of the ordinary shares of Spridag on The Johannesburg Stock Exchange will commence today in the "Mining - Gold - Witwatersrand and others" section of the official list under the name "Spridag". Copies of the prospectus, dated 29 October 1985 are available on request at the registered office of the company.

By order of the board

Gold Equity Registrars (Proprietary) Limited
Secretary

per: J Freedman

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THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

COUNTLESS small businesses have burned their fingers badly in attempting to break into international markets.

The pattern they have traditionally followed is to build up a strong presence at home and then underestimate the challenges involved in doing the same overseas — witness Acorn Computer in the US. Others tend to fall into the arms of more international predators at this crucial stage in their development.

Such businesses might have done better if they had cultivated international markets right from their earliest days as start-ups, rather than diversifying from an entrenched position at home. Telematics International, a Florida-incorporated producer of data communications equipment, provides a highly unusual example of a business which has grown simultaneously in the US and the UK from the moment it opened its doors.

Since its twin formation three years ago in a former hairdresser's shop in Florida and garden shed near Henley-on-Thames, Oxon, Telematics' revenues have rocketed to \$12m (£8.1m) in the current year to December, when it expects to make a \$1.5m profit, its first ever surplus. Now it has four offices in the US and a European headquarters in Basingstoke and plans a flotation on the US over-the-counter market late next year.

The big advantage of that strategy is that it is possible — in theory at any rate — to grow twice as fast by tackling two equally sized markets at the same time than if they were approached singly. Moreover, says John Pitt, Telematics' 41-year-old founder, "The transatlantic nature of the company has given us a credibility beyond our size."

Yet Telematics has only been able to achieve its international ambitions because it has a management team with a depth of experience that also goes beyond its size. Its six directors — all in their 40s — have each held senior positions in similar international companies, covering functions ranging from finance to development and marketing.

Telematics' determination not to rush into production too early — a classic mistake by many start-up ventures — has also been important. Moreover, it has been careful to stay out of the capital intensive business of manufacturing, confining itself instead to final assembly and quality control.

However, putting this strategy in place has been time-consuming and costly, especially for Telematics' 32 UK and US institutional backers, which have put up a total of \$1.8m in three financing rounds since 1982.



Des Althorp: "The communications market is by definition international."

Market assault on two fronts

William Dawkins on Telematics' unusual origins

For a start, Telematics has had to pay heavily to attract staff of the right quality, most of whom were already being rewarded handsomely by much larger competitors and customers.

A small company selling to a territory that spreads from the Middle East to New Jersey can ill afford having to repair faulty machines in the field. That is why Telematics refused to start shipping in bulk until early this year, by which time it had developed its program-mable packet switches to almost twice the durability standards — all in their 40s — have each held senior positions in similar international companies, covering functions ranging from finance to development and marketing.

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tens houses, the strategy that the directors had used for Mod-comps computers.

Systems houses buy computer hardware and add their own applications software before selling it on to the end-user. In Telematics' case this meant a development spend of around \$180,000 by each systems house.

"That was just too much for them to risk on an untried company. They wouldn't do it on spec," recalls Althorp. The upshot was that Telematics took six months longer than expected to make its first sales.

The first big breakthrough came at the end of last year, when Telematics won a \$7m order from Telecom General, the US telecommunications company, at the same time as landing a \$6m contract from British Telecom. "That's what really put the credibility stamp on the company," says Althorp.

Telematics prepared for the BT contract by deliberately bidding a year previously for a BT order. It knew it had no chance of winning. "That was just to get BT to know us and to learn how they worked," says Althorp. In fact, the group got rather more than it bargained for, as the BT contract was managed to impress the BT technical assessor, Andy Brown, enough to persuade him to join Telematics as UK technical support manager.

On the strength of BT and Telecom General's mark of approval, others soon followed. In a five-year order last September worth \$35m from ICL, the British computer manufacturer, with further contracts from Geisec, the computer network and services subsidiary of General Electric of the US. The order book now stands at \$50m spread over the next three to five years.

It has always been an important principle for Telematics that its UK and US divisions should be able to operate independently, though they do perform slightly different functions. All manufacturing sub-contracting in the US and applications software written in the UK.

Another important principle is that the company has been funded entirely by equity ever since its inception, a rare strategy among British start-ups. The costs of this to its founders and 218 staff is that they have seen their stake in the company get diluted from 50 per cent to 43 per cent after successive rounds of financing.

Yet, says Pitt, "The dilution is insignificant compared with the benefits that equity funding creates." The management does not have to waste time wondering how to finance the next month's operations. It can get on with managing the company.

Venture capital

Midland Bank lifts the veil

William Dawkins on the first of the UK clearers to reveal its risk finance performance

MIDLAND BANK Equity Group, the clearing bank's unquoted investment arm, last week publicly unveiled its annual results for the first time in its 17-year history.

Very few British venture capital groups have ever made public such a detailed insight into their performance. Most groups either keep their annual accounts to themselves or have their results merged with those of their larger non-venture capital owners. There are some exceptions, such as the handful of publicly listed venture capital groups, but the industry in general suffers from a dearth of information on performance.

The reason that Midland is prepared to open its books in this way, as it frankly admits, is that they make cheerful reading. A 13.4 per cent rise in attributable profits to \$3.5m in the year to September represents a 13.5 per cent annual return on its parent bank's \$26.2m investment in the group.

That might look tame when compared with the spectacular returns achieved by some US venture capital groups before the American new issues market went into decline two years ago, yet it does bring a bright spot to an industry which has had more than its fair share of bad news recently.

Not that the Midland has been immune from investment drops. Its profits are struck after less provisions of £2.9m — including more than £200,000 against its Moroccan subsidiary's investment in Bazel, the Welsh lingerie maker which went into liquidation last week — almost double 1984's provision of £1.5m.

Even so, the directors estimate that their portfolio of 154 investments is worth \$66m, 54.5 per cent more than its \$42.7m book value. Last year, they invested \$7.1m in 21 companies in

sums ranging from \$50,000 to \$1m.

Like every venture capitalist, Midland makes most of its profits by selling companies to corporate buyers or floating them on to the stock market, by which methods it notched up a \$5.8m capital gain last year. Nevertheless, public issuing houses and stock market investors fail to understand properly venture capitalists' needs to sell shares on flotation, complains John Beevor, group managing director.

Three of the group's investments went public last year: Amari, a metal stockholder; Alexandra Workwear and Our Price Records, the music retailers. They all achieved values many times the original price of Midland's investment, yet the group was unable to dispose of more than half of its holdings in any of them.

"Contrary to popular belief, we are never allowed to take our profit when an investment goes public. We are always told that... would show a lack of confidence by existing shareholders and kill the issue," says Beevor. It is odd, he argues, that venture capitalists wishing to sell out should be accused of showing little faith when they have had the confidence to invest in a company years before it gets a flotation. Alexandra, for instance, has been in the Midland stable for 15 years.

"The market and issuing houses should take on board that there is nothing particularly sinister about such an institutional investor wanting to sell at or soon after a flotation," says Beevor. That choice, he argues, should be for the venture capitalist rather than for the issuing house handling the flotation.

In brief...

SOURCES OF finance and corporate advice for small business have never been so numerous or complicated.

Help is now available in the form of a 700-page guide to the UK corporate finance market, published by Crawford's, publishers of the well-known Directory of City Connections. It claims to be the most detailed guide ever published of sources of business finance. It includes names, addresses and operating details of 21 UK venture capital funds, high street and merchant banks, financial intermediaries, leasing companies and factors, over-the-counter market makers and government sources of finance among others.

Crawford's Corporate Finance costs £75 including post and packaging from Crawford's, 40 Duke Street, London W1A 1DW. Telephone 01-493 6711.

THE Institute of Cost and Management Accountants is sponsoring research into the special accounting techniques needed by small, high technology businesses. Three teams from the universities of Aston, Edinburgh and Manchester have received grants from the in-

stitute to research the ways in which high growth businesses operating in quickly changing markets obtain and use accounting information. They will examine the ways in which such businesses have created new accounting techniques to cope with the demands of their innovative environments. The institute expects to produce a report by autumn 1987.

IF small businesses represent the fastest growing sector of Britain's economy, publishers of small business books cannot be far behind.

Among the latest arrivals in an avalanche of publications offering advice for entrepreneurs is Starting a Successful Small Business by Michael Morris, which gives a step-by-step guide to getting started. It costs £4.20 (hardback) and is available from many bookshops or from the Manpower Services Commission, 101

Ways to Run a Business Profitably might be useful. Published by the Sunday Telegraph with management consultants Thornton Baker Associates, it discusses planning and managing finances and how to raise funds, as well as how to go about recruiting staff and whether to buy a computer. It is available at £1.95 from bookshops or from the Manpower Services Commission, 101

MANCHESTER Enterprise Club and Allied Business Consultants, a Cheshire-based training group, are to repeat next January their small business development programme.

The previous programme, which ended last week, attracted businesses with a total of 300 employees, representing a combined turnover of £10m. The course, funded by the Manpower Services

Commission, uses established businessmen to advise ventures in their early stages.

Details of the January course are available from Susan Pepper at Allied Business Consultants, 107 Market Street, Hyde, Cheshire SK14 1ES. Telephone 061-368 0085.

DUN & Bradstreet has extended its telephone credit information service to include businesses in France, the Netherlands, Belgium, Ireland, Luxembourg and Monaco.

The system allows businesses to check the creditworthiness of overseas customers by making one telephone call to Dun & Bradstreet. Details from David Goddard, Dun & Bradstreet, 26-32 Clifton Street, London EC2P 2LX. Telephone 01-377 4377.

THE Department of Employment has published a simplified guide to the Business Expansion Scheme. The leaflet is intended for use by professional advisers and enterprise agencies. Supplies of the leaflet are available free from the department's small firms and tourism division, Steel House, Tothill Street, London SW1H 9NF, or from local Small Firms Centres.

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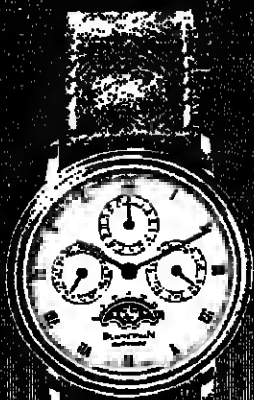
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THE US system of state regulatory commissions which look after all private monopolies is a model which the UK should consider for its three largest monopolies: gas, telecoms and electricity.

That is the view of Dr Irwin Stelzer, managing director of the New York arm of Rothschild and one of the US's foremost experts on utilities. He has been advising the UK Government on the forthcoming privatisation of British Gas.

He has not been involved in the details, but if the electricity industry follows telecoms and gas into the private sector, as the Government hopes, his views will be of particular interest.

He says one of the main advantages would be that a single large regulatory body would have the best chance of attracting top quality officials.

The idea of a single body to oversee all utilities is not the only lesson that might be learned in Britain from US experience, he believes. "I think there is a confusion in Britain between the question of whether you want to get bogged down with lawyers and elaborate procedures, and the substantive questions, which are quite separate."

He has sympathy for those who say they do not want to follow the US example if it means three years of litigation over a rise in telephone charges; but it was wrong to move one step further, as some people in Britain did, and to reject the idea of looking at returns on investment or pricing.

But might Britain not aspire to a more simple system, avoiding the detailed monitoring of a monopoly's operations as happens in many states in the US? Could prices be set by the regulators with a simple formula like "inflation minus X" so that a company's profit would depend on whether it could be efficient within that overall constraint?

A case
for the
US
systemMax Wilkinson, Resources Editor,
on the regulation of private
utilitiesIrwin Stelzer
"confusion in Britain"

"That idea is wrong because after three years or so, if the formula doesn't yield any profit, the company will not be able to raise any capital and it will say the formula does not work."

says Dr Stelzer. "But if the formula yields monopoly profits, you will not know. It is very difficult to distinguish between a monopoly profit and one resulting from efficiency."

For a year or two, Dr Stelzer believes a pricing formula like "inflation minus X" might work; it would have the merit of simplicity and it would have the advantage that costs were not automatically passed on to the consumer. But there would

have to be periodic tests involving analysis of costs and rates of return to make sure the formula was getting the right answer.

With a simple pricing formula, he says, "you are assured of knowing if the company is not getting enough money, but you are not assured of knowing if it gets too much."

But does this imply that it is possible to avoid the US system of extremely detailed supervision of monopoly utilities? In some states, Dr Stelzer says, the detailed interference in the operation of utilities does amount to second guessing of the management of the company. "That's just regulatory silliness and it can be avoided

by intelligent people," he says. But, on the other hand, the proper protection of the consumer may require a substantial regulatory apparatus.

Some companies may find such a regime irksome, but that is not avoidable. For the essential feature of a monopoly is that the customer has no recourse, and the only way to deal with that is to have a body which handles customers' complaints, he thinks.

"The British fear of an excessively protracted detailed regulatory process has led them to a system in which the customer is essentially without recourse," he says. "What happens if your gas

goes out because of a leaky main? Or if you cannot get a telephone connected for four months, where do you go? Not to Ofel.

"Handling customer complaints is expensive, bothersome and leads to a bureaucracy. But the alternative may be that you have no customer recourse at all. There is a trade-off and it is a decision that society has to make."

"Britain is a society which does not believe in giving as much access to the process of law as the US society does."

Interestingly, one of the British Government's reasons for opting to split the regulatory functions into separate bodies seems to be the fear that a single national council of regulators might become too powerful and too intrusive.

But what besides its power as a champion of the consumer, would be the advantage of a single regulatory council? Dr Stelzer believes that one important contribution it could make would be in a general development of the techniques of marginal cost pricing.

"Now you are talking about my life's work," he says. "About 10 years ago we started urging regulators to adopt long run incremental costs (as their criterion for pricing decisions). Now there's a joke in the business that LRIC stands for Let's Run, Irwin's Coming."

Historically, most utilities in the US in England have tended to try to keep prices for domestic consumers as low as possible and to avoid "discrimination" between different groups of users.

But one of the less controversial aspects of economic theory shows that in a free market, companies will maximise their profits if their average prices reflect the marginal cost of meeting an extra few units of demand. Competitive companies also tend to set

prices in line with the true marginal cost of supplying different groups of customers so that those making large purchases, for example, get a discount.

Theory also shows that this pricing regime would lead to the best allocation of national resources. One problem for regulators, therefore, is how to mimic the pricing structure which a competitive market would have thrown up. This would have substantial discounts for large industrial users to reflect the economies of scale.

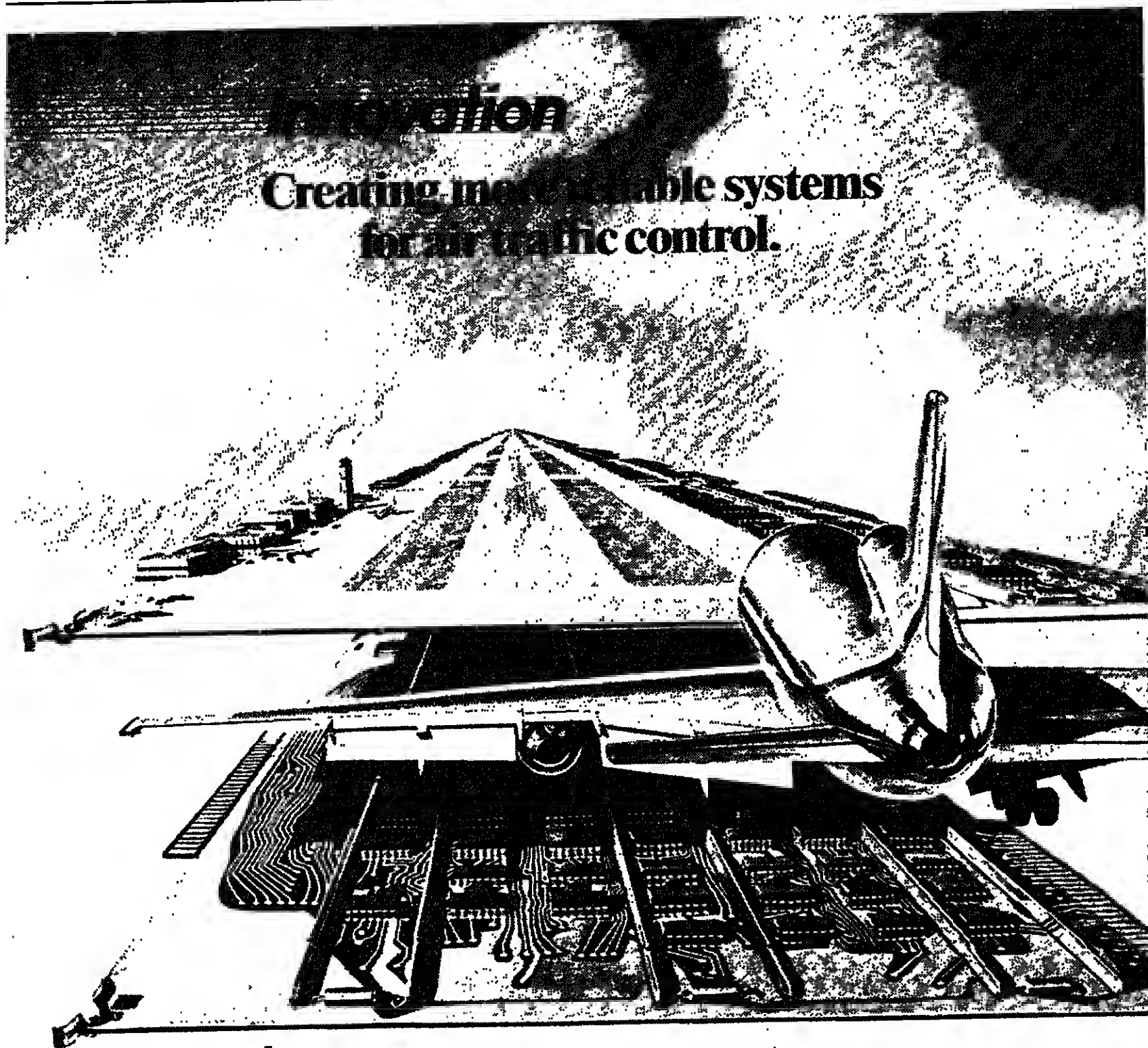
However, Dr Stelzer believes there is also a political problem to be overcome, since pricing on economic criteria will tend to reduce the cross-subsidisation from the large industrial consumer to the domestic market.

"International competition is attacking the system of cross-subsidisation now, so it is not a question of whether, but when and how much the change will take place."

"But politically, it is a horrendous problem. It may be that the safety valve for the politicians will lead to a more open regulatory process, so that it can be seen that it is not a purely arbitrary Tory scheme to rape the consumer on behalf of rich industrialists."

"The interesting thing to me about the British approach to privatisation is that no one has thought through the regulatory consequences."

Broadly, he says he is in favour of the British bias towards regulation with a light touch but he adds, "The bias they do not have to the party they support is competition. They say a lot about it, but when it comes to the test—for example allowing would-be competitors to go to the court—there has not been a great deal of action."



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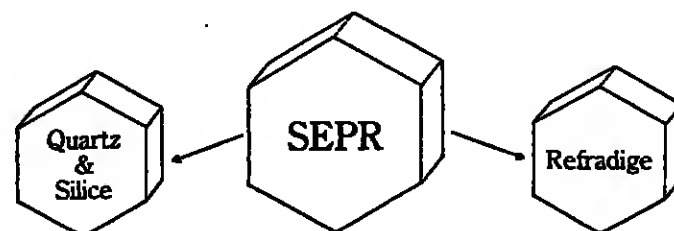
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MUSEUM OF MODERN ART, OXFORD: JAPANESE ART AFTER 1945—WM. PACKER

Reconstructions is an exhibition of the avant-garde art of Japan in the 20 years after 1945, the period of post-war recovery which only now is being reassessed with any truly objective general curiosity, but which for the Japanese could hardly be at greater or more particular interest in the light of their present position in the world.

In organising and bringing it here the Museum of Modern Art in Oxford has had the active co-operation of the Japan Foundation and the Yumuri Newspaper Group backed by an admirably long list of sponsors that includes Japan Airlines, the Japan Association of Art Museums, the Kajima Foundation, Kao Company, Sabre International, Toppin Printing, Yamato Transport, Oxford University and the Visiting Arts Unit of Great Britain. With related exhibitions of *Dada* in Japan 1920-1970 and of contemporary Japanese photography, *Black Sun* and a concurrent festival of the post-war Japanese cinema, *Reconstructions* occupies the Museum's galleries in Pembroke Street until February 9, when it moves on to the Fruitmarket Gallery in Edinburgh for the spring.

Leaving aside for the moment its intrinsic interest and importance, this show could hardly be more valuable or opportune as the necessary and corrective complement to Toki, the festival now at the Barbican of the traditional aspect of visual art in Japan today, of which it is not always in inevitable opposition to innovation or avant-garde experiment, for each in its way, if only in part, must be the fruit of the same culture. But in a society as instinctively well-ordered and disciplined as the Japanese, in which the individual knows and accepts his place, there is, in art as in so much else, the particular problem of choice and the consequent commitment to a certain mode and practice, school and group. In a time of the most rapid change and development in which that society has suffered extraordinary trauma and inner stress in coming to terms with the modern world and rising in the process from the position of absolute defeat and foreign occupation to that of spec-

tacular economic power, those traditional values may all too easily be held as a necessary bulwark against too intrusive foreign ideas and influence.

The corollary of this has been, perhaps, a tendency to defer too much in the sphere of modern art to external example at the expense of what has been achieved at home, to see such work in any case as quite unconnected with any truly Japanese experience, and to set it thus aside in its special category of interest perhaps but little value. To concern oneself in art with the general currency of practice, issues and ideas is necessarily to choose to commit oneself, it seems elsewhere than Japan; yet ever since Japan opened itself to the world with the Meiji Restoration rather more than a century ago, Japanese artists have been coming to Europe and America to work and returning home to build upon the experience.

The work they did, in that earlier period at least, has at last been recognised in recent years as deserving rather more respect than mere historical curiosity, even if it remains too little known abroad. The importance of this exhibition is now being given to the work of the Japanese avant-garde since the war.

The work is full of surprises. Though neither in general nor in particular is it the greatest or most significant of its time, its seriousness of engagement and quality in achievement are evident. It is entirely authentic, not slavish in its references and associations but throughout true to itself. More intriguing still is the chronology, for repeatedly we discover that the preoccupations of a given moment in Europe or America were not so much absorbed and acted upon after an interval as shared. And through it all, as with the work of that earlier avant-garde generation, and in defiance of even national prejudice, comes the essential Japanese sensibility to inform the work, with its pervasive feeling for the emblematic, the ritual, the ceremonial and execution, and mythic content.

The exhibition does not follow any strict order of chronology but rather divides the work between the figurative and the political on the one hand and the abstract and conceptual on the other. The earliest work is figurative, however, strongly influenced by

surrealism and symbolism. Sugimoto's infinitely melancholy triptych, *The Dried-Up Spring*, of 1945, says it all, though Furusawa's *Dalesque* personification of the bomb a little later, in his *Demonic Music* or *Fukuzawa's* heaped bodies in *Lost War*, both of them impressive pictures, more command rather more immediate attention.

There follows the New Realism of the 1950s, with the grim grotesque of On Kawara's dismembered and deformed bathers, *The Owner of the Fishing Boat* by Ikeda which is so close to the George Grosz of 25 years before, and the symbolic cityscapes of Shigeo Ishii. But Kikuchi Yamashita is the artist who dominates this group, at least in this selection, with his savage collage *Tale of New Japan*, the bizarre *Tale of Akebono Village*, based upon a newspaper report of murder and suicide in the remote countryside, and *The Struggle of Life*, most direct in its observation of the destitute people begging from the poor artist.

The large gallery is given to abstraction, and then to the Neo-Dada and the Red Centre groups of the 1960s, and to performance and conceptual art. Of the abstract artists Saito, Sugai and Inui have the widest international reputation. They have always worked independently of any formal grouping and spent long periods abroad; and yet they seem the more unmistakably Japanese of all, especially so in the work of this period.

The most impressive and beautiful wall, however, holds work by members of *Gutai Bijutsu Kyokai*, the avant-garde group that was formed in 1954 and was to last nearly 20 years, acquiring in that time wide international recognition for performance, events and spontaneous and conceptual works of art. The panels here by Shimamura, which bear the marks of the artists' direct assault upon their fabric yet for all the ripping and tearing look now so calm and elegant, are however rather more seminal than typical, dating from before the group's inception. Jiro Yoshikawa's two later gestural calligraphic images are simply the most beautiful. Neo Dada concludes the business with the painting of the X1000 note and the documentation and exhibits relating to the artist Akasegawa's subsequent prosecution for counterfeiting.

San Francisco Opera

Timothy Pfaff

Not quite the "dream season" that was promised, San Francisco's 1985 international season turned out to be a rather typical one.

The season's first modern work was Arieb Reinmann's *Lear* (sung in English), in a revival of Ponnelle's 1981 production. The opera itself may not be the masterpiece that eluded Verdi and others, but the San Francisco company presented it as though it were, with breathtaking results. Ponnelle's designs and dramatic, an integral part of the work, seemed, for once, in accord with the music. The stripped-bare playing area, exposed stage machinery, and elemental action—all irradiated by Thomas Munn's brilliant, and disturbing, lighting—conspired to produce gripping music-theatre that desperate landscape was the strongest Lear cast imaginable today. In his towering portrayal of the magnificently declining king, Thomas Stewart worked at an intensity that seared scores of indelible images on to the memory, wedding word to note to gesture as only master singers do. Intersecting his downward trajectory were David Kuntson's hauntingly sympathetic Edgar, Helga Dernesch's thunder-clap Goneril, Anja Silja's laser-sharp Regan, and Chester Ludwig's wrenchingly pathetic Gloucester. Sheri Greenawald's Cordelia was as heart-rending as it was expertly sung.

The early cancellation of conductor Gerd Albrecht dealt the season its most serious single blow, but Friedemann Layer's intimate knowledge of the score resulted in a vivid, propulsive reading, at once lucid and theatrical.

The ill-fated revival of Ponnelle's 1972 *Tosca* could hardly have pleased the faithful subscribers it plainly was meant to. Seemingly endless revivals later, the production has lost almost all of its immediacy, let alone controversy. The *Tosca* and Cavaradossi, Maria Slatinaru and Giuseppe Giacomini, seemed to be singing, not acting. Even James Morris as Scarpia (his first), was unable to break out of the pall that shrouded the whole production. In such poor company, his somewhat under-characterised, likeable, and his singing, while true, seemed needlessly inhibited. Carlo Felice Cillario's lax conducting ensured that no one on either side of the pit got too caught up in the familiar drama.

Absent from the San Francisco stage since 1970, *Falstaff* returned, cleverly disguised in a frenetic new Ponnelle production, based on his Glyndebourne production but at nearly twice the scale. As it happened, the combined scale and frenzy of the production all but blocked Verdi's great twilight comedy from view, the composer's genius eclipsed by the director's precocity.

Those who came to savour Verdi's supreme operatic achievement were left to amuse themselves with the increasingly tedious game of spotting Ponnelle mannerisms. All were on display in the new *Falstaff*—the running water, the shadows, the clergy—as well as the director's latest: a literal turning up of the lights on the celebrations of man's baser nature. About the time the "Burla" of the famous final fugue began sounding like a rather cruel joke, the lights came up for the cast to sing "Tutti Gabbati" in tones of high derision, pointing accusingly at the paying public (which, for its part, seemed thrilled about it).

So much for the humane, compassionate, universal comedy one long thought *Falstaff* to be. In its place San Francisco now has a meanness and anger.

Two impressive individual performances rose above the hurly-burly. Most notable among them were Ingvar Wixell's masterfully sung, pointedly enacted *Falstaff* (his first); Marilyn Horne's sumptuous yet scintillating Quixote (her first); Ruth Ann Swenson's radiant Nannetta and Susan Quigley's gleefully perfect Meg. Conductor Maurizio Arena contributed a lean, driven account of the score, perfectly matched to Ponnelle's reading but loth to savour the score's endless riches and delights.

The other new production, of Handel's *Orlando*, clearly was intended as a tercentenary tribute. Ironically, what reached the stage was a bald attempt to "sell" an opera Winton Dean called "musically... perhaps the richest of all [Handel's] operas" to an audience obviously prejudged as unwilling to "buy it on its own terms." In his sleek new production, John Copley seemed

determined to distract his audience from both music and libretto as much as possible. The very overture became the occasion for a confusing pantomime, in a canopy bed, effectively transforming the opera into "The Dream of Orlando." From that point, not a single number in the long opera (played with minimal cuts) went by without "embellishment" by some kind of sight gag. In perhaps the most cynical

singing but were thwarted at every turn by Mackerras's inflexibly earth-bound beat. Horne, who managed some impressive pianissimo in her third-act sleep aria, rode roughshod over most of the rest of the role (particularly the heroic coloratura), and was risible in her mad scene.

The season-opening *Adriano Lecocquer*, a showcase for Mirella Freni's first assay of the title role, found the soprano in hypnotically beautiful voice. A mid-season Werther featuring Alfredo Kraus reaffirmed not only that he retains one of the best-preserved instruments in the business, but also, of course, that this refined interpreter remains nonpareil in his signature role. Bliss Hebert's sensational *Turandot* (with gaudy sets and costumes by Allen Charles Klein) was brought back for Eva Maria, who sang the title role with cool precision but skirted the problem of its interpretation by volunteering none.

For its season ender, the company consolidated all of its artistic strengths for a sparkling revival of Britten's *Billy Budd*, on this occasion incisively directed by Basil Coleman. This revival, unflinching in its musical investigation of its several uncomfortable subjects, was in almost every respect an improvement over its 1978 predecessor. Dale Duesing, the pre-eminent Billy of our time, gave a performance as fresh as it was convincing, and James Harris out-Scarpia-ed Scarpia with his chilling, formidable Claggart. After a wholly unacceptable first outing in the part of Captain Vere, James Kling grew steadily into an important exponent of the role. Raymond Leppard turned in the finest conducting of the season, vivid, precise, pictorial, and all but unbearable in its sustained tension.

Stephanie McCallum/Wigmore Hall

David Murray

Like her one-time teacher Ronald Smith, Miss McCallum cultivates the hyper-virtuoso of the 19th century. In her hands, whose *Trois grandes études* occupied half her recital on Friday, her whole programme was bold and fresh, starting with a recent piece by her fellow Australian Nigel Butterley, and proceeding to Weber's C major Sonata—the one with the "Moto perpetuo" finale—by way of the brilliant Sonata in D, K 576, of Mozart. Her vocal strengths, her clean, muscular technique and her confident grasp of extended melodic wholes; she is a bit self-denying about local graces.

Miss McCallum's Mozart was therefore efficient (grace and oddity slow and hefty Allegro) and short of charm, despite a thoughtful Adagio. Her Weber was more efficient, for it had an apt dramatic flair, and yet she rarely took advantage of the opportunities in particular passages to sharpen a personal note. There is, for example, more humour in the Sonata than she brought out anywhere. The "Moto perpetuo" was nevertheless exhilaratingly speedy and sure. She sounded utterly sympathetic in Butterley's *Uttering Joyous Leaves*, the phrase is from Walt Whitman—and its deft, dutiful piano-writing; a very good piece, concisely expressive, that made one resolve to seek out more of Butterley's particularly in Australia but scarcely known here.

Her Alkan set amounted to a *tour de force*, as it must do. A small rash of finger-slips did no serious harm to the second

etude, a 20-minute Introduction, Variations and Finale for the right hand alone, since a sense of unended purpose informed all. It was an immensely capable hands, both the outer *études* made great impressions: for left hand alone, the third—by an ingenious stroke—uniting both hands strictly (like the finale of Chopin's B-flat minor Sonata), two octaves apart in racing semiquavers. Alkan's pianism was madly professional and his phrase is from the Romantic pianist should be familiar with it, for it carries a certain ideal of the instrument; the only fault in this set is the plain grandioso, here and there in the first two pieces, of making one hand do what two could do more fluently.

to his teacher's style was shown by juxtaposition with Alkan's own *Voice of Love*, a song cycle with a dense and almost exotic lyricism. The mezzo Linda Hubbard put across his striking texts with plenty of life, but had to put up with some unhelpful work by the accompaniment of the central song. It was a shame that Jacqueline Fox, the mezzo, did not bring to it a greater warmth of tone.

Just how close this work was

Giles Swayne/Purcell Room

Richard Fairman

This recital, given on Saturday evening, ended with a part premiere. Giles Swayne's *godson*, due to be completed in 1988, will consist of 33 miniature movements, each using its own eight-note mode or scale and covering all the possible combinations that can be had from five solo performers. Its first five little movements are now complete and we heard these as an interim report.

In many ways the piece looks as if it may turn out to be a tiny offspring of Stockhausen's gargantuan *Licht*. It deals with Creation and Time; it has neither represented by an alto trombone; and Adam and Eve are created in its fifth variation. It also—more impor-

tantly—shares with *Licht* a determination to have a rigorous intellectual base in its use of variations, modes and scales, and combinations of instruments as its structure. There is a gulf in style between this and the song-cycle *The Good-Morrow* (1971), which was performed just before the earlier piece dates from the period in which Swayne was a pupil of Nicholas Maw and it has much the same kind of post-romantic richness, not least in the sensuous accompaniment of the central song. It was a shame that Jacqueline Fox, the mezzo, did not bring to it a greater warmth of tone.

Just how close this work was

Jack and the Giant

Charlotte Keatley

Trevor Peacock's reworking of Jack and the Beanstalk for the Royal Exchange, Manchester, gives us a child's eye view of magic. Peacock recognises, quite rightly, that this is a quality which emanates as much from a step ladder turned magic tower by Jack and his girl playmate, or from Jack seeing his own shadow turned giant in his backyard, as from the magic brought alive by conjurers, a high-tech beanstalk of glittering lights and ladders, and fabulous beasts with scales provoking the stage.

Staged in the round is particularly effective for sound: the Giant arrives like a thunderstorm on feet. Chorus Monks' music is inspired by Cajun (French Canadian street music) and absorbed Deep South rhythms; the result, played by a band who span squeezebox to synthesiser via tambourine, is a blend of fairground and folk dance with eerie electronic effects. The lyrics articulate the wide-eyed expectancy of a child setting out on a journey which, make no mistake, represents life.

While Peacock understands beautifully how to enthrall children he can't resist interfering as an adult and spelling out the subconscious symbolism of the fair-tale: a moral journey made by a small boy whose childhood, through magical adventures, into a self-aware, even sexual young man

who has made a choice for Good (he releases the Bird of Happiness) over Evil (he slays the Giant) and it thus catapults into adulthood, which is a quality which emanates as much from a step ladder turned magic tower by Jack and his girl playmate, or from Jack seeing his own shadow turned giant in his backyard, as from the magic brought alive by conjurers, a high-tech beanstalk of glittering lights and ladders, and fabulous beasts with scales provoking the stage.

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Saleroom/Antony Thorncroft

Suspect vases find buyers

Sotheby's sale of antiquities yesterday took place in a glare of publicity. This is usually among the most specialist and erudite of markets but a row erupted over the origin of a group of six Apulian vases, produced around 400 BC from among the Greek colonies in southern Italy.

It was alleged that the vases had been recently looted from graves in the region. The British Museum's expert, Brian Cook, expressed doubts about their legitimate provenance: there were no records of an illegal export route through Switzerland. Sotheby's was asked to withhold the vases from the sale as their origin could be investigated.

In the event Sotheby's stuck to its guns and all six vases found buyers yesterday. One, probably depicting Odysseus, sold for £22,000, twice its estimate, to a private collector who also paid £11,000 for an amphora decorated with a nude young warrior. A third sold for £9,350.

But although Sotheby's faced down its critics in this auction it has agreed to change its procedures in future sales. It has asked the Italian authorities to send it photographs of any items that are believed to have been removed without authority from archaeological sites, and in turn, it will send to Italy photographs of Apulian vases consigned to it for auction. If Sotheby's receives any evidence of malpractice it will withdraw items from its future sales.

The antiquities sale had its highspots, totalling £588,150 with 20.4 per cent unsold. An Attic black figure amphora, attributed to the Bucci painter

and dated to the last quarter of the 6th century BC, did well at £104,500 and a silver bowl from central Asia, probably Bactrian or around 250 AD, also sold, at £38,000, to the London dealer Mahboubian.

An amethyst coloured mosaic glass bowl, around 100 BC and from the eastern Mediterranean, doubled its estimate at £57,200. It was sold by the Corning Museum of Glass in New York. Part of a Roman marble torso of a young man, around 100 AD, went for £46,200, to Robin Symes, of London, bought a Cycladic marble figure, of around 2500 BC, for £35,200.

Christie's did well at its weekend Monte Carlo sales, bringing in £6,672,124. The highlight was the £1,072,934 paid for a Louis XVI marble commode made by J-F Leleu and probably part of the furniture of Versailles. Sir Charles Clore bought it at the Ojeh sale for £461,535. All told the auction of the Clore furniture totalled £2m, half of which will go to Jewish charities.

A pair of early 17th century French bronzes of King Henry IV and his wife Marie de Medici sold for £229,098, and another exceptional price was the £175,571 paid for a pair of Louis XVI Sevres vases, also from Clore.

Theatre to become bingo hall

Coventry Hippodrome, one of the oldest theatres in the West Midlands, recently renamed the Apollo, is to close and reopen as a bingo hall.

Arts Guide

Musical/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday, A selective guide to all the Arts appears each Friday.

Dec 6-12

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Tristram and Isolde starring Katinka Lantos and Peter Seidel, and Martha Falyva, Hansel und Gretel features Janis Martin and Rüdiger Engert, Madame Butterfly, sung in Italian, has Yoko Watanabe singing in the title role. Also Der Barbier von Sevilla. (34.381)

Hamburg, Staatsoper: Händel's *Bal-sazar* conducted by Gerd Albrecht has Helen Donath, and Walter Raffeiner. The rarely played *Intolleranza* by Luigi Nono has fine interpretations by Gabriele Schnaut and William Cochran, Boris Godunov, offered in a concert version, features Kurt Mall, Walter Raffeiner and Marjanna Lipovsek. Arabella brings together Oliver Friedricks, Gundula Janowitz, Cornelia Wulfgang and Wolfgang Schöne. (35.151)

Frankfurt, Opera: Premiering this week is *Das Rheingold*, produced by Ruth Berghaus. Conductor Michael Glens with Barry Mora, Heinz Zednik, Gail Gilmore and Paula Page in the main parts. Don Giovanni has Wolfgang Schöne in the title role. *Die Verkaupte Braut* returns. (25.621)

ITALY

Milan: Teatro alla Scala: Season opens with *Aida* conducted by Lorin Maazel in Lucio Favarotti sings the role of Radames. (30.128)

Rome: Teatro dell'Opera: *Un Ballo in Maschera* conducted by Gianluigi

Gelmetti. Production, scenery and costumes by Sylvano Bussotti. (48.175)

Florence: Teatro Comunale: *Manon Lescaut* with Mirella Freni, conducted by Maurizio Arena. Production, scenery and costumes by Pier Luigi Samaritani. (27.928)

Torino: Teatro Comunale: *Russalka* by Dvorak conducted by Gianfranco Masina and directed by Peter Werhan. (31.948)

Turin: Teatro: Regio: Richard Strauss's *Il Cavaliere della Rosa* conducted by Milan Horvat and directed by Peter Busse. (34.800)

LONDON

Royal Opera, Covent Garden: *La Nozze di Figaro*, in the much-revived John Copley production, returns with its original conductor, Colin Davis, and an interesting new cast led by Yvonne Kenny. Anna Tomowa-Sintow, Jonathan Summers, and Patrick Raftery. Last performances of the current *Fanciulla del West* run, illuminated by the heroine of Maria Zampieri and the conducting of John Nesch. (24.108)

English National Opera: *Colossus*: the latest attempt at a big-house ENO Don Giovanni is by Jonathan Miller; Mark Elder conducts, and the cast is led by William Shimell, Richard Van Allen, Josephine Barrow, and Felicity Lunn. Further performances of *Orpheus* in the Underworld and *Katya Kabanova*. (38.311)

PARIS

Palais des Congrès: Roland Petit and Marcelle National Ballet presents *Fuss in Boots* animated by Roland Petit's unfailing imagination and en-

Opera: The Siege of Corinth alternates with Gounod's *Romeo and Juliette* (24.267/5) from 2pm-5pm. End of Jan 5.

Amsterdam, Stadschouwburg: The Netherlands Opera production of Britten's *Turn of the Screw* (in English), directed by Rhoda Levine and designed by John Cooklin. The Netherlands Philharmonic, under Bruce Foden, with Helen Field as the governess, James Lewis and Dominic Martelli as Miles, and Emma Stuart and Juliette McClog as Flora (Tue, Thur). (24.211)

SPAIN

Barcelona, Gran Teatre del Liceu: Boris Godunov, includes Matti Salminen and Marijka Hendriks. Sant Pau 2. (21.920)

VIENNA

Staatsoper: The Magic Flute with Mathis, II Tröbner, Fidelio with Jones, Mathis, Kollo, and Sotir; *La Bohème* conducted by Zedda; *The Flying Dutchman* conducted by Schürmer with Vojanovic, Sianla, Sotir; *La Traviata*, I Capuleti et i Montecchi, *Die Meistersinger* and *La Rondine*. (33.224)

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MPs call for information

THE BACKBENCHERS of the House of Commons are not very pleased with the Chancellor's Autumn Statement, and with some reason. The all-party Treasury Committee deplores the Treasury's deliberation with the withdrawal of information offered in earlier years about forecast government revenues and the implied scope for tax or spending adjustments. It complains that the official statement of monetary policy has become quite evasively vague, and the medium-term financial strategy, the supposedly fixed star of the economic firmament, now looks faded; the Government has embarked on a modest reduction, financed by asset sales, but refuses to admit it. Finally, while admitting the Treasury's impressive forecasting record, the committee finds the official forecast for 1986 hard to swallow.

The economic analysis offered here will not cause much stir in the business world because it closely mirrors the consensus of the financial markets. The rise of 2.5% in projected government spending and the matching rise in planned asset sales are matters of record. Monetary policy is a technical puzzle although its head objective to resist cost push seems clear enough; so far as the short-term forecasts are concerned the Treasury team probably deserves the benefit of the doubt. It is not clear, however, that the policy points behind these criticisms which are important.

Good record

There are three quite separate issues raised in the report though this is not always clear. The first is information for parliament—what the committee discusses as the "green budget" issue; the second is clear information for markets; the third, more outspoken in the evidence of the consultants than in the committee's all-party draft, is the merits of the Government's actual strategy.

On the green budget issue, the committee seems to be fighting a praiseworthy campaign but on questionable ground. It is certainly desirable that changes in the structure of taxation should be debated rather than produced like rabbits out of the Chan-

cellor's Budget Day bat. There is no strong reason why the initiative for reform should invariably come from the Treasury. The Government has, on the whole, established a good record of demystifying the Budget, with the glaring exception of the drastic change in the tax treatment of capital investment 18 months ago.

What has been lacking has been similar discussion of large strategic questions—how policy should respond, for example, to the rise and forecast decline in North Sea production, to a sudden change in oil prices, or to the expected growth of the labour force; in other words, for making the medium-term strategy responsive to medium-term realities. These forecasts are much more important, and can be made more accurately, than the notoriously unreliable forecasts of the difference between revenue and expenditure which have now been suppressed.

Best point

It does not seem likely that the markets will miss these forecasts much either, except as a source of amusement. Commercial forecasters will continue, as before, to make their own estimates of the Chancellor's likely Budget judgment as the year passes; they never did take the figures in the Autumn Statement, based on information long out of date, very seriously. It is not fiscal but monetary policy which can usefully be set out to inform the markets. The real question here is whether the comfort of a managed float is the best available option, or whether the Government should take the management risks implicit in adopting a declared target within the EMS.

Finally the Treasury's own forecast, even if it does raise broader questions about whether or not it is a good guess—which cannot very usefully be discussed in advance. Here by far the best point is made not by the committee, but by one of its advisers: if the forecast is right about consumer incomes and therefore about earnings, it has implications for competitiveness which suggest a very poor outlook for 1987. The Chancellor seems to have noticed this too.

Cyprus after the elections

PRESIDENT Spyros Kyprianou has emerged as the victor of the parliamentary elections in the Greek portion of divided Cyprus. On the face of it that represents a setback for the United Nations initiative designed to bring about a permanent and stable settlement between Turkish and Greek Cypriots. Paradoxically, however, the strong advance of Mr Kyprianou's Democratic Party may have the opposite effect, even though the President has acquired the reputation of being a hardliner in the dispute with the Turkish community and its backers in Turkey proper.

The reason for saying so is that the voters have taken the wind out of the sails of a curious alignment of communists and conservatives who have been trying to hound President Kyprianou out of office. Their chances are greatly diminished by the outcome of the election, and, probably eliminated. The President, therefore, can deal with what Greek Cypriots consider the national question without constantly having to guard himself against attack from the rear.

Serious risks

The communist Akel party and the conservative Democratic Party of Mr Glafkos Clerides each had its own motives for demanding greater flexibility on the national question. Akel, in the interests of Moscow, wanted a settlement producing a clearly non-aligned federation of Cyprus instead of the present situation in which the two Cypriot communities retain close links respectively with Greece and Turkey—both of them Nato members.

Mr Clerides's rally took to the UN plan for a bizonal confederation when it received the backing of the Americans. Washington is afraid that the present unstable state of affairs in the island holds serious risks, including even that of a clash between two of its allies, Greece and Turkey.

Thus President Kyprianou's opponents were not only ill-assorted on the grounds of ideology. Their alliance in the national question rested upon rather shaky foundations. The electorate may have sensed that when it swung to the President on Sunday.

Voters had other reasons for doing so. Greek Cyprus—in contrast to the Turkish North—has prospered economically and

Greek Cypriots had every reason to show their gratitude at the ballot box. That aside, politics in Cyprus is as often determined by personal animosities and ambitions as by the larger questions.

It would be unwise to construe the outcome of the election as clear cut support for one or the other approach to the national question. That is true in particular since President Kyprianou has modified his position since last January when—unlike the leader of the Cypriot Turks, Mr Rauf Denktas—he rejected the UN plan as it then stood.

Endorsement

Mr Perez de Cuellar, the UN General Secretary, has since altered the plan in some details, permitting Mr Kyprianou to hold out the prospect that he will accept it while the Turkish side now demurs. In its new guise the plan would make it less easy for either community in a confederation of Cyprus to block all engagement. But it has not solved the key question of whether Turkey is to be allowed a continued military presence on the island.

Athens would find that unacceptable, and Greek Cypriot opinion, too, would find it hard to concede. It would, moreover, amount to a retrospective endorsement from the international community as represented by the UN of the results of the Turkish invasion of Cyprus in 1974. Granted that Athens at the time provoked the invasion by its own intervention in Cypriot affairs, such recognition would be repugnant.

Given these complications, the chances of a durable settlement in Cyprus are not rosy. On grounds of Realpolitik it might even be argued that it is best to leave things as they are: after all the *de facto* division of Cyprus has lasted for over 10 years and, in the Aegean, Greece and Turkey have not come to blows in spite of repeated crises.

But the world can ill afford a potential source of instability in an area as sensitive as the eastern Mediterranean. There is a need for statesmanship from all concerned. The President has put Mr Kyprianou, for one, into a position where he can show whether he is able to rise to that challenge.

WHENEVER Western European policymakers have wanted to console themselves over their industries' failure to keep up with the US and Japan in high technology, they have held up telecommunications as a beacon of hope. There, it seemed, was a chance for Europe to make a real impact.

European companies have captured more than a quarter of the \$60bn world market for telecommunications equipment and can boast a long string of technical achievements, notably in the development of digital public telephone exchanges. In contrast to their mounting trade deficits on computers and microchips, EEC countries collectively enjoy a trade surplus in telecommunications.

But Europe's advantages are dwindling fast. Handicapped by small home markets and inadequate economies of scale, many of its leading telecommunications companies are struggling to survive against increasingly powerful American and Japanese rivals such as American Telephone and Telegraph and NEC.

Belated recognition of Europe's vulnerability has unleashed a wave of government-backed industrial restructuring in country after country. In France, the telecommunications business of Compagnie Generale d'Electricite (CGE) and Thomson, the country's two largest electronics companies, were brought together in 1983 in an attempt to create an internationally competitive group.

In Italy, agreement was reached last month to merge the two leading telecommunications equipment suppliers, Italtel and Cieltra. And in Britain the General Electric Company (GEC) and Plessey, the two manufacturers of the System X electronic telephone exchanges, are engaged in a merger battle.

However, many of these moves look like desperate attempts to keep leaky vessels afloat rather than to regain decisively the initiative on world markets. Mrs Maria Bellisario, managing director of Italtel, admits that unless her company can achieve a much stronger international base in the next five years, its survival will be in doubt.

In France, according to Mr Jacques Darmon, who has served both as a senior government official and an industry executive, the position is equally grave. "If our frontiers were suddenly opened, our industry's potential would collapse because it would be unable to meet head-on competition from its main international rivals," he writes in a new book on telecommunications.

The deeper crisis has

The telecommunications industry

Europe's struggle to make up for lost time

By Guy de Jonquieres

triggered a scramble to line up international alliances. A bewildering flurry of discussions is going on both between European companies and with North American groups including AT&T, which has already forged links with Philips, the large Dutch electrical and electronics group, and Olivetti, Italy's leading office products supplier.

The underlying weaknesses of much of Europe's telecommunications industry were spelt out clearly in a report to the EEC Commission two years ago by Arthur D. Little, the American management consultancy and market research firm. It found that:

● European manufacturers' share of world markets largely reflected the protection of their home markets by government monopoly purchasers (PTTs).

● European equipment sales overseas were mainly to Third World countries, many of them troubled by debt problems while the EEC's balance of telecommunications trade with North America and Japan was deteriorating rapidly.

● EEC investment per capita in telecommunications equipment

was barely a third of the level in the US and demand for advanced telecommunications services was growing far more slowly.

These grim prospects have helped to revive hopes of creating an all-European alliance of manufacturers, able to command the economies of production and market scale which individual suppliers can no longer achieve on their own.

The focus is on efforts to construct links between GEC and Plessey in Britain, CGE in France and Italtel/Telettra in Italy.

Such an initiative faces formidable obstacles, however, not least because it would exclude Siemens of West Germany and Sweden's L. M. Ericsson, which has solid digital exchanges in 81 countries. These are the only European telecommunications suppliers which look able to bargain internationally from a position of industrial strength.

Siemens, which had total sales of DM 46bn last year, accounts for almost two-thirds of output by the West German electronics industry. But it is openly dismissive of proposals for an all-European strategy

and is pinning its hopes on the US market. It is spending \$200m to try to sell public exchanges there and is the first European company to win an order from a Bell regional company. It also in advanced talks on collaboration with GTE, the second largest US telephone operating company.

Though authorities in Paris near alliance, the state-owned CGE seems much less sure. It appears more interested in collaborating with AT&T, though the French government has prevented it from making a deal so far.

Even if the British, French and Italian groups could agree on a framework for a "Left Bank of the Rhine" alliance, implementing it would pose a major management challenge. All the companies make rival but technically different product ranges, which would be hard to integrate into a single operation.

Rationalisation would require severe capacity reductions—CGE alone is already estimated to have 10,000 staff more than it needs, while its telecommunications production is

scattered inefficiently between five plants. Agreeing on who should make cuts, and where, would demand an exceptional talent for compromise among companies long accustomed to being pampered by their national governments.

The dangers of discord were vividly demonstrated by the Unidata fiasco in the mid-1970s. That attempt to merge the leading French, West German and Dutch computer companies into a single European group dissolved amid bitter recriminations after only 18 months.

The biggest problem of all, though, would be to overcome the rigid trade barriers between EEC markets which have kept Europe's telecommunications industry fragmented. So far, only Britain has opened its market to wide international competition, though several other countries including France and the Netherlands have recently begun to consider liberalisation measures.

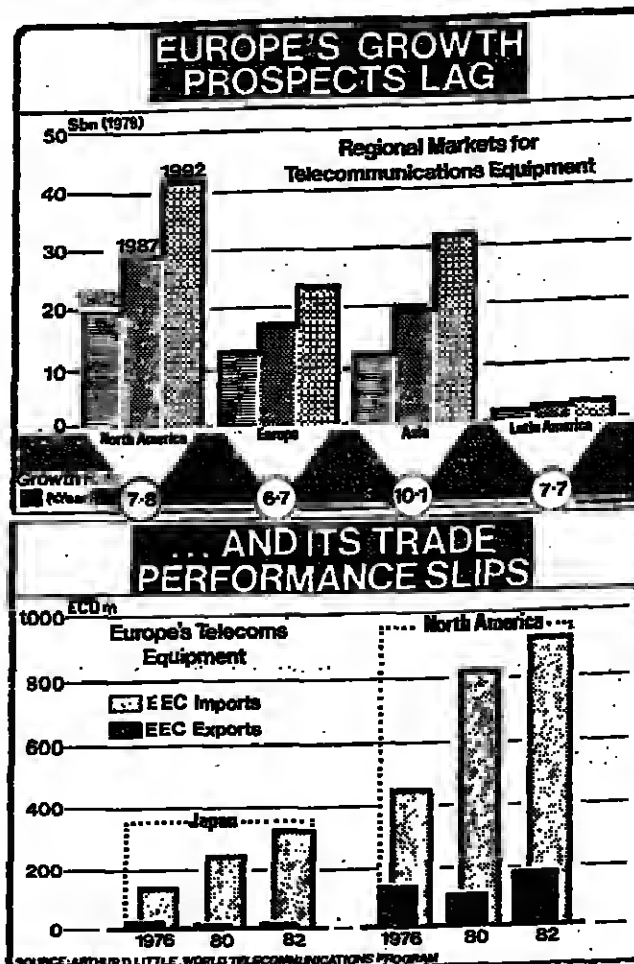
But progress is likely to be slow. Dr Henry Ergas, a telecommunications economist with the Paris-based Organisation for Economic Co-operation and Development, estimates that the cost to manufacturers of meeting all the differing technical standards and approvals procedures in force in Europe is up to 100 times higher than in the US.

Furthermore, while state telecommunications authorities in France and Italy appear prepared to support a pan-European manufacturing initiative, with public orders, the British Government from offering similar backing. BT, for its part, remains studiously non-committal.

Ironically, many European suppliers believe that the future of ITT of the US could provide a key to unlocking some of these problems. ITT's telecommunications business has long been based on this side of the Atlantic, and it has a strong presence in several countries than any of its local rivals.

The company is now gambling its future on an effort to enter the US public exchange market. So far, it has won only a few small orders there and industry analysts believe the next year will be make or break. If ITT failed and were forced to sell off or seek partners for its many European subsidiaries, the resulting carve-up could create an unprecedented opportunity for indigenous European suppliers to enter each other's markets.

Le grand derangement: la guerre du telephone. Published by J. C. Latties.



THE MANUFACTURERS

Company (\$m)	Switch	Total sales	Public
Alcatel (France)	ET10/M20	1,800	800
Ericsson (Sweden)	AXE	3,700	850
GEC (UK)	System X	7,500	260
Italtel (Italy)		100	180
AT & T Philips (Dutch/US)	ESS	18,282	130
Plessey (UK)	System X	2,950	300
Siemens (W Germany)	EWSD	17,500	1,100
STC (UK)	TXEA/AA	2,554	180

* Not digital.

SYSTEM X: WHY RATIONALISING MAY NOT BE ENOUGH

BRITAIN'S System X digital telephone exchange programme is a telling, if extreme, example of the problems facing Europe's telecommunications industry. Even if its two manufacturers are amalgamated by a merger between GEC and Plessey, improvements in efficiency seem unlikely on their own to ensure System X's future competitiveness.

System X is assembled at two GEC plants in Coventry and Kirkcaldy, Scotland, and at a Plessey factory in Liverpool. Costs could undoubtedly be cut by reducing the number of plants and the more than 10,000 people employed on the programme, roughly 3,000 to 4,000 of

whom work on the assembly line. But the savings would not be huge. Plessey's labour accounts for only about 10 to 15 per cent of the manufacturers' total System X production cost of between £100 and £120 per exchange line. Almost two-thirds of the production cost is accounted for by electronic components, many bought from overseas.

Pooling component purchasing would probably obtain a better price from suppliers while use of advanced microchip techniques could yield further savings.

However, by far the biggest cost of making System X exchanges is not physical pro-

duction but developing intricate computer software. The software business is notoriously risk-prone and resistant to productivity improvements, and it is "don't-bet-whether-morning" the 2,000 experts at GEC and Plessey would produce appreciable savings.

So far, BT has paid for the £350m total cost of the 15-year System X development programme. But BT plans to stop making payments next year: after that, the manufacturers will be on their own.

They will need to spend at least £50m a year just to keep System X technically up-to-date—and more than that to develop the next generation of exchanges in

the 1990s. That will have to be funded out of annual sales revenue which, on the basis of orders placed so far, seems unlikely to exceed £400m. There are three options. One is to raise volume through bigger sales overseas. But System X is a late starter in export markets, where fierce competition is driving prices down sharply. The second option is to lighten the development burden by collaborating with one or more international partners. That is what most of the world's public exchange suppliers are trying to do today. These which fail to secure acceptable deals soon may have no choice about the third option—to withdraw from the business completely.

Heyman hunts Union Carbide

The long and bitter proxy battle in which Samuel Heyman, now chairman and chief executive of GAF, launched his company into a \$4.6bn bid for the 10-times bigger but troubled Union Carbide, has taken a new twist.

Connecticut-born Heyman, 47, was a relatively obscure lawyer and shopping centre developer when he led a group of dissident shareholders into the 10-month \$1.6m campaign to unseat GAF's long-time chairman, Jesse Werner.

When he took over as chief executive, Heyman said he planned to serve only 18 months. GAF's future was determined, then he would return to the family property business he took over in 1968 after working briefly for the Justice Department and as a US Attorney's Office prosecutor in New Haven.

During the proxy battle, Heyman had argued in favour of selling GAF's chemicals operations—prompting Werner, a chemist by training, to suggest "one of the reasons Heyman wants to sell... is that he can't pronounce the names of any of the products."

But Heyman, once in control, kept the chemicals and not only learned their names apparently, but turned them into money spinners. In the process, he seems to have developed aspirations to go down in corporate history books as a turn around specialist.

But while Heyman wins praise from Wall Street for his proven ability at GAF—once the German-owned General Airline and Film company—some question whether he has the experience to trim costs and boost productivity and profits in the same way Union Carbide, a chemicals giant with annual sales of \$9.5bn, Heyman is plainly uncharted.

Men and Matters

And while some Wall Streeters suggest he may be angling to swap GAF's existing 10 per cent stake in Union Carbide for one of its profitable businesses, others believe he wants to be remembered not only as the man who turned it around but who also succeeded in settling the hugely complex Shoptel litigation now pending in the courts.

Snow ride

Two robbers who held up a bank in the north Norwegian county of Finnmark yesterday made their getaway with Nkr 200,000 in cash by snow scooter.

It was Finnmark's first bank robbery. Several hundred kilometres above the Arctic Circle, it has the largest land area and the smallest population of all Norway's 19 counties. It is normally a peaceful place, where snow scooters are used for such pursuits as herding reindeer, and cross-country transport.

Until yesterday the snow scooter had never been used in Norway as a getaway vehicle.

Texan law

Will Judge Solomon Casseb let Texaco off its \$10.5bn book today?

Pennzoil is the local company awarded those massive damages against the US oil major. In Pennzoil's book, if the judge overturns the verdict the message will go out to corporate America that, "If you steal big enough and get hit by big enough damages, you need not pay."



addressed counsel as "fall" during last week's hearing, could pass for a lot younger than his 70 years.

With his double-breasted suits and walking cane he is known as one of the best-dressed men in Texas.

He is also quick to pick up attorneys on their case law. According to Jewell Davis Lemons, a diminutive lady lawyer in Western boots and a ten gallon hat, who has practiced in Texas for 45 years, no judge is better qualified to know what the issues are.

Pennzoil contends that the jury handed down a proper verdict in November on the evidence before it. Texaco argues that the jury was not properly instructed on what constitutes breach of contract.

Pennzoil is very much the home team. Principle attorney Joseph D. Jamail of Houston is a leading personal injury lawyer, part "good ol' boy,"

part street fighter, with a few parlour manners thrown in. Two other Houston law firms are backing him. One is represented by W. James Krouzer, a middle-aged, dark-haired figure. Coolly but forcefully holding centre stage is David Boies a lawyer who has developed a reputation for extrajudicial cat-fights and claims from life-threatening situations. He is the big name from New York—and it shows in Texas.

In drink

Distillers have switched advertising agencies to portray them as a line of drink ready to bounce unwelcome predators like Argyle.

Streets. Financial which handled both their pr and advertising in London have surrounded the advertising to Howard Lewne and Spink whose Tim Bell (formerly international chairman of Saatchi and Saatchi) will pull the punches.

"Own up Argyle. You have a drink problem," said Distillers' advertisements at the weekend and in Monday's papers.

Leading question

The Lord Chancellor's department has set new standards in government efficiency by answering last Friday a written parliamentary question that was not asked until yesterday.

The question should have been tabled on Thursday night by Nicholas Lyell, Tory MP for Mid Bedfordshire, for answer on Friday to coincide with the publication of the Building Societies Bill.

Lyell failed to put the question down—Sir Patrick Mayhew, Solicitor General, went ahead with the answer, setting out proposals on how banks and building societies will be able to offer conveyancing services to the public.

The "question to the answer" finally appeared on the order paper yesterday, tabled by Martin Brandon-Bravo, Tory MP for Nottingham South.

Observer



Letters to the Editor

Some attractions of industry for arts graduates

From Mr R. Martin

Sir—The myth that industry cannot provide graduates with an enjoyable and satisfying career is bolstered by Mr J. G. Griffith (December 5).

As his pupils' views that industry consists of "pompous administrators" and "disgruntled workers" seem to be widely held, no wonder that it is increasingly difficult to attract the best talent from universities.

May I, as an erstwhile arts

graduate working for a major oil company, offer the suggestion that industry is not all as wretched as he depicts?

In the course of 14 years (all with the same company) I have sold petrol in Venezuela, run a fleet of ships in Canada, learnt two languages at my company's sponsorship, set up a joint venture in Saudi Arabia, and have been exposed to a wide range of genuinely interesting industrial and commercial problems ranging from extracting

a pirated ship from India to negotiating with the rulers of Gulf sheikhdoms.

It is unfortunate that industry in general is tarred with the brush that doubtless does apply to some (many?) companies or sections within industry. Good employers must counter undergraduates' misconceptions by selling their attractions better. Industry can and should be fun!

I suggest that the wide range of opportunities for speculation

or generalisation within a broadly based industrial company offers more opportunities for long term job satisfaction (which is what it is all about) than the arguably narrow opportunities of computer programming or (dare I say it?) merchant banking and financial services.

R. C. F. Martin.
Baldock,
Chiddingtons Causeway,
Nr Tonbridge, Kent.

Half-baked patents conference

From Mr B. Fisher

Sir—Interested circles have informed the Government that the proposal to divide the Common Market by the introduction of a mini-Community patent for only some of the states is not acceptable.

The proposed appeal court (COFAC) is an attempt to introduce our Common Market partners the concept that the considerations of infringement and validity of a patent must be taken together. Unfortunately it only makes its appearance as a limit of national appeal courts, so that any litigant has first to go through the national court of first instance. If there is no appeal, COFAC will not come into play. If there is an appeal, then such appeal is made to the national appeal court. The latter refers the questions of infringement and validity to COFAC. After due deliberation COFAC reports back to the national appeal court and the

latter then deliberates on the remedies, e.g. damages. Finally the national appeal court hands down its judgement.

COFAC is therefore an appendage to the national appeal courts, an extra layer, so to speak, but it only applies to the mini-Community.

How can anyone reconcile the deliberate creation of such a division within the Community with the avowed intention of a Community without borders?

Dr Hermann (December 5) is right when he calls it "A half-baked patent conference."

It is difficult to reconcile the stress laid on the importance of intellectual property for the future prosperity of this country with the apparently deliberate step of ignoring informed opinion.

Bernard Fisher,
Dunrobin,
Cambridge Lane,
Ide Hill,
Near Sevenoaks, Kent.

Tin crisis responsibility

From Mr C. Gilbert

Sir—Stefan Wagstyl (December 4) asks who is to blame for the crisis affecting the tin agreement. There can be no doubt that the member Governments bear the bulk of the responsibility. They claim that they were unaware of the nature and extent of the buffer stock manager's forward market commitments. The truth, however, is that they did not know what they chose not to know.

In the first four tin agreements, the buffer stock was very much subsidiary to export controls, but in the fifth and sixth agreements it has been given greater prominence. At the same time, in the sixth agreement, the size of the buffer stock was explicitly limited. Governments were unwilling to make the financial contributions required for the buffer stock to be able to achieve its intended objectives, particularly given the level of the support range in the light of the strength of the Malaysian currency. The provision allowing the buffer stock manager to trade on the forward market, and thus effectively to supplement his cash by borrowing

from the market, appeared to be a magic solution increasing his purchasing power without adding to the members' commitments. Member Governments were able to pretend, to themselves and in Parliament, that their involvement was limited to their initial contribution while, by agreeing to article 28, they have made themselves liable for much greater charges.

This raises the question of whether commodity agreements should be permitted to trade on forward or futures markets. The answer, regrettably, is that futures markets operations are unproblematic but that trading on an unregulated London metal exchange should not be permitted. This crisis could never have arisen if the LME had been fully cleared through the International Commodity Clearing House. Furthermore, the long closure of the LME tin market provides ample evidence that LME self-regulation amounts to little more than self-interest.

Christopher Gilbert,
Wadhams College,
Oxford.

Parliamentary drafting

From Mr I. Beilile

Sir—With the drive to privatisation, it is time to consider privatising the Parliamentary draftsman? The members of this hard-working group undoubtedly do not deserve for the number of complex draftsman that are thrown at them but nevertheless have not demonstrated in certain specialised areas the necessary background to produce satisfactory legislation which will not waste Parliamentary time and not cause confusion in the Courts.

With the proposed publication of a White Paper on intellectual property reform and the promise of the Government to provide a new copyright Bill, it is not time to put the initial drafting of this very specialised legislation into the hands of those who spend their lives in its practice? One could then avoid the problems which were evidenced in the 1977 Patents Act which allegedly had the record for the number of amendments which had to be introduced into the House of Lords to correct problems, many of which were issues of drafting. There was also the recent Service Mark Bill which although welcome as a concept can only be described as an unfortunate piece of drafting both

in theory and in practice.

A small group chosen from the professions specifically involved, with a statement of objectives provided by the Government and with the assistance of the Parliamentary draftsman and the acknowledged expertise of the Patent Office, could prepare a draft of the Bill which could be exposed for criticism to interest groups such as the industrial groups. Out of this refining could very quickly come a Bill which, although still subject to the full Parliamentary process and further revisions, could nevertheless considerably simplify Parliamentary procedure and save of Parliamentary time.

This might also serve as a trial of the technique for application to the revision of other complex private law.

With a Government dedicated to meeting the needs of commerce and industry and anxious to provide the best protection for British innovation, it does seem that the initial creation of legislation in this area should be given to those who know best the nature of the problem, is those who have to work in industry and with industry.

Iain C. Beilile,
52-54 High Holborn, WC1.

Most investment fund managers are not myopic

From Mr C. Carlyle

Sir—The letters page has provided a useful forum to discuss the ability (or otherwise) of investment fund managers in the past, and it is interesting to see the topic receiving another airing in the form of managers' myopia (Paul Gault, December 3). Your correspondent appears to have been somewhat harsh in his response to Clive Wolman's views (Lombard, November 29).

Surely fund managers cannot be condemned for pursuing some short-term money-making opportunities, and most of the examples of managers' activity (eg. concerning Spelawh) would appear to be on the periphery of determining investment performance for a large fund in the longer run. The observations concerning the composite insurance sector, however, which accounts for nearly 3 per cent of the UK equity market, may be worthy of scrutiny.

The comment that the sector had "overdone the gloom" in

the final quarter of 1982 appears to have been made with the benefit of hindsight, especially considering that Royal, the largest company in the sector, went on to report profits falling from \$96.5m in 1982 to \$11.2m in 1984. Rather than attribute the sector recovery to the normal ebb and flow of relative strength/weakness in the market, I should be inclined to think that prices began to recover in keeping with the market's subtle discounting mechanism, which pointed the way towards the substantial profits recovery which is now the next two years. In this case, the successful fund manager was not myopically concerning himself with the forthcoming sets of trading figures each quarter throughout 1983-84 but looking ahead several years.

If a "really fundamental long-term look" at composite insurance, as has been advocated, had been taken at that time and the manager had decided to

have taken a nil weighting, then his fund would have underperformed consistently, other things being equal over the past three years.

It is, of course, the function of the stockbroker's large teams of analysts — as it is they who have the specialist training, not to mention the time to produce the detailed industry assessment, and it is their views and profit forecasts which provide the raw material for the fund manager to make his investment decision. If he were to change his investment decision (ie. to buy or sell shares) anything like as frequently as analysts change their profit forecasts, then his investment performance, as a result of dealing costs, would indeed be poor.

This would appear to be a fairly typical example where a buy and hold policy adopted close to the bottom of the share price cycle, as opposed to the industry's trading cycle, would reap rich rewards. Accordingly, the fund manager whose investment strategy is based upon

trying to identify turning points in primary trends, which last for between one to three years for most sectors of the market, not only deploys his time effectively but keeps his dealing expenses well under control. The manager who makes these decisions successfully usually does so in the company of a very small number of others and as a result of experience and knowledge of market psychology.

Data on pension fund performance are now widely available and generally show that most managers inevitably underperform the All-Share Index, mainly as a result of dealing costs. Other distortions, such as that created by the Government's holding in British Telecom, have given rise to further underperformance in the past year in particular.

Charles J. Carlyle,
(Fund manager),
Tyndall Investment Services,
18, Conynge Road, Bristol.

UK jobless figures

Rays of hope in Whitehall

By Philip Stephens, Economics Correspondent

MINISTERS are not yet publicly rejoicing. There have been too many false dawns for the British Government to risk claiming that the rising tide of unemployment has at last been decisively reversed.

So the official welcome for last week's figures showing that the underlying jobless total fell in November for the third consecutive month was muted.

Lord Young, the Employment Secretary, caught the mood with his comment that, although the last six months were the best in the labour market since 1979, "It is too soon to see these figures as concrete evidence that it (unemployment) is on the way down."

This is probably one of those rare occasions in politics when ministers are more optimistic in private than in public.

There are increasing hopes in Whitehall that after a relentless rise from an average of 1.3m in 1979, the number of people out of work probably passed its peak earlier this year.

Seasonally-adjusted total, which excludes school-leavers and is the best guide to underlying trends, hit a record 3.2m in May. Since then, it has fallen by an average 2,000 a month, against a rise of 13,000 in the preceding six months.

Government statisticians think that part of the improvement reflects the extension of special job and training schemes announced in the last Budget.

They estimate that increased numbers on such schemes—particularly the Community Programme—have reduced the official unemployment count by 5,000 a month since May.

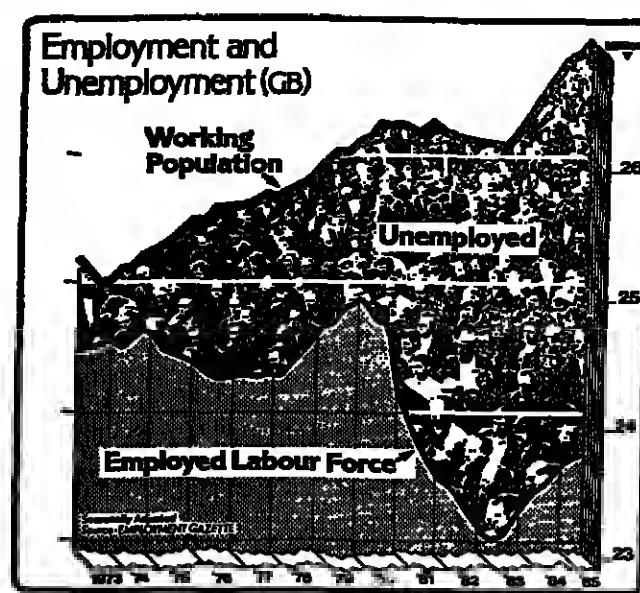
But even if the special measures are discounted, a more fundamental upturn in the labour market seems to have occurred in response to the economic recovery.

The improvement has been particularly marked among men.

Male unemployment fell by a monthly average of 2,000 in the six months to November, compared to an average rise of 7,000 between December and May.

So why are ministers reluctant to claim that a turning point has been reached especially given the Government's forecast of 3 per cent growth in 1986 and continued expansion of the official economy?

The first reason is purely presentational. Although the seasonally adjusted total is the



Bob Hushon

most reliable guide to labour market trends, media attention tends to focus on the unadjusted figure, which includes school-leavers.

This shows large swings from month to month, but crucially tends to rise by around 100,000 in January when temporary workers are laid off after Christmas.

An official campaign now claiming that the rising trend has been halted, would risk being dashed by the headlines when the January figure is released during the following month.

More fundamentally, while the Government may be increasingly confident that unemployment has levelled out, there is far less certainty that it is heading decisively downwards.

The scale of fall over the last six months—12,000—is minuscule against the overall total of nearly 3.2m officially registered as out of work. One bad month could easily wipe out all of that gain.

The UK's 13.1 per cent unemployment rate is the highest of the major industrialised countries, comparing with figures of around 7 per cent in the US, 9 per cent in West Germany and 10 per cent in France.

The average figure, however, masks wide variations between men and women and between

different regions.

The proportion of men out of work is 15.7 per cent against the 9.6 per cent of women seeking jobs. The overall unemployment rate in the South East is below 10 per cent, but in Northern Ireland it is 21.3 per cent.

At the same time, there are around 675,000 people covered by Government employment and training measures, an estimated 495,000 of whom would otherwise be claiming unemployment benefit.

Looking forward into 1986, the indications are for an improvement but not a major reversal in the current position. Most independent forecasters expect a gentle decline in the number of people out of work but virtually all expect the total to remain above 3m.

The projected fall in the pace of growth of the labour force, which has been expanding rapidly in recent years, is operating in the Government's favour.

In 1984, for example, around 500,000 extra people began looking for jobs, a reflection of the "baby boom" of the 1960s and the return to the labour market of many workers, particularly women, who had left during the recession.

This growth has been highlighted by ministers as a major reason why the economic recovery has not yet been

reflected in lower unemployment, even though the number of people in work has been rising for more than two years.

Official figures show that the employed labour force in the UK, including the self-employed and those in the armed forces, rose from a trough of 23.0m in March 1983 to 24.2m by June of this year. Over the same period unemployment rose by 150,000.

The Department of Employment is forecasting that the labour force will grow by only around 180,000 next year—as a result new jobs created by increased output are more likely to be translated into lower unemployment figures.

Employment is also expected to receive a boost from the restructuring of National Insurance contributions announced in the last Budget. This will make the hiring of low paid workers relatively more attractive. Meanwhile, the Government intends to increase the number of places on the Community Programme from 160,000 to 230,000 by next summer.

Less encouraging is that on present trends the bulk of the new jobs created will be part-time employment for women.

The official employment figures are notoriously difficult to interpret, largely because they contain a large element of guesswork. What they suggest is that, despite the employment, full-time jobs lost in the manufacturing and production industries are being replaced by part-time work in the services sector.

As a result, long-term unemployment, represented by more than 1.3m people who have been without a job for a year or more, has gone on rising.

The problem for the Government is that companies, particularly exporters, may respond to continued high interest rates and a strong pound not by giving smaller pay increases to existing workers but by seeking another round of lay-offs.

Although a shake-out on the scale of a few years ago is implausible, manufacturing companies could nevertheless accelerate the trend towards operating with a relatively small "core" labour force, supplemented when necessary by temporary or sub-contracted workers.

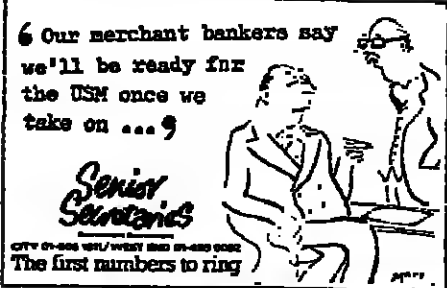
The odds, though, must be in favour of a small decline in the overall jobless total as service industries and self-employment continue to expand.

LISTENING

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday December 10 1985

Freixenet
Méthode Champenoise
CORDON NEGRO

Svenska and OK Union link to tackle oil majors

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SVENSKA Petroleum, the Swedish state-owned oil company, and Ojje-Innstrumentar Företag (OK Union), the co-operative-owned oil group, are to merge a large part of their oil interests to form what will be the biggest oil company in Sweden.

Neste, the Finnish state-owned oil company, is negotiating the purchase of a stake of about 15 per cent in the group, to be called OK Petroleum, which will have around 21 per cent of the Swedish oil market.

The Swedish Government has been pressing for the merger in order to form a stronger Swedish-owned oil group better able to compete with oil majors.

OK and Svenska Petroleum have been hit by heavy losses in recent years in the face of fierce price-cutting and a drop of 50 per cent in oil consumption since 1979.

The merger is a further step in the far-reaching restructuring of the Nordic oil and petrochemical sectors, which has seen Statoil and Norsk Hydro of Norway and Neste of Finland buying into the Swedish market and the withdrawal of oil

majors, such as Esso and Mobil, from it.

The new company will comprise all Svenska Petroleum's activities, including 51 per cent of SP Exploration, and the oil importing, refining and heating oil operations of OK. OK's petrol retailing activities will continue to be owned directly by the regional co-operative societies.

The co-operative movement will keep a majority stake of at least 51 per cent in the new company. Neste is expected to take a holding of about 15 per cent.

The Swedish state, which has poured around SKr 1.4bn (\$182.5m) into Svenska Petroleum since it was founded in 1975, will have a 30 per cent stake.

Negotiations with Neste should be completed soon, and the Finnish group could pay around SKr 600m to SKr 700m for its stake.

OK Petroleum will have around 4m tonnes a year of refinery capacity through a 35.5 per cent holding in the Scanraff refinery and 22 per cent in the BP refinery. It will also own half the 1.2m tonnes a year ca-

pacity of an oil cracking unit, OK Kracker.

The way for the merger has been opened by OK's improved chances of reducing its refinery overcapacity. It has signed a letter of intent to sell a 21.5 per cent share in the Scanraff refinery and 50 per cent of the cracker to Norsk Hydro, a deal estimated to be worth about SKr 750m.

Hydro has bought the Mobil service station network in Sweden, while Statoil, the Norwegian state-owned oil company, has bought Esso's Swedish oil sales and marketing operations.

With a heavy financial burden and continuing losses, OK is also seeking to sell its exploration interests, including the 1 per cent stake it purchased in BP's North Sea Forties field in 1983.

OK lost SKr 409m in 1984, after suffering a deficit of SKr 117m in 1983, and expects further losses in 1985. Svenska Petroleum ran up losses in four of the last five years but is expected to make a small profit in 1985.

Olivetti plans to launch company

By James Buxton in Rome

OLIVETTI, the Italian data processing equipment maker, is about to launch a new company to play a major role in developing data transmission services in Italy.

The new company, Seva, will be 42 per cent owned by Olivetti. Other major shareholders will be Stet, the Italian telecommunications holding company which is part of IRI, the state industrial conglomerate, and ENI, the national energy corporation, each with 20 per cent. Shares will also be held by American Express (10 per cent), Visa (3 per cent), Diners Club (3 per cent) and Sixcom, a software company (2 per cent).

Seva, which is expected to be formally constituted next month, will create so-called value added networks (VANs) based on the national data transmission network, Itapac, which is now coming into service. Value added networks are the commercial services which make use of data transmission systems.

Seva, which initially will operate in nine major Italian cities, will offer such services as the checking of credit cards, electronic mail, the management of orders for large shops, access to data banks and electronic transfer of funds.

The creation of Seva is a major step in the development of VANs in Italy, a subject which has been at the heart of much controversy in the past two years. IBM Italy, the Italian subsidiary of the US multinational, originally proposed developing VANs with Stet, the telephone utility which is the subsidiary of Stet and which operates Itapac.

But this proposal was strongly contested by Olivetti, and so far there has been no agreement on VANs between IBM and Stet.

Comau and Digital set up \$2m joint venture

BY ALAN FRIEDMAN IN TURIN

DIGITAL Equipment Corporation (DEC) of the United States, the second largest computer maker in the world, is to form a 50-50 joint venture in factory automation with Comau, a machine tools and robotics subsidiary of Italy's Fiat group.

The joint-venture company - to be called Sesam - will have an initial capital of \$2m with total investment rising to around \$4m within five years. Although Sesam is to be an Italian company at first, it is aimed at the European and world market in computer integrated manufacturing.

The systems we will develop will have no geographic limits," explained Mr Winston Hindle, vice president of Digital.

The two companies said in Turin yesterday that Sesam was aiming for total turnover of £400bn (\$322.7m) within five years and 200 employees by 1990. In its first year the company is expecting sales of between £3.5bn and £4bn and a total of 50 employees.

The idea of the venture is to combine Comau's expertise in flexible manufacturing systems with Digital's computer experience. Sesam will not manufacture machinery but will act as a systems engineer,

designing factory automation systems and procuring relevant equipment.

The joint venture is strikingly similar to the company already established by IBM and the Eltag factory automation subsidiary of the IRI-Stet Italian state holding group.

Mr Paolo Cantarella, managing director of Comau, admitted that the market for Sesam was the same as for the IBM-Stet venture, but he said Sesam would be more specialised in factory automation.

Comau, he said, expected to have a 1985 turnover of around £800bn, of which US sales would represent around a quarter. General Motors, which last week agreed to buy 20 per cent of Comau's US subsidiary, accounted for more than 90 per cent of Comau's US sales, according to Mr Cantarella.

Mr Cesare Romiti, managing director of the Fiat group, said the new venture stemmed from years of co-operation between Digital and Comau; the two companies already co-operated in the European Community's Esprit programme. He and other Fiat executives described the Digital-Comau venture as a strategic move for Fiat.

Mr Romiti declined to comment yesterday on reports in Italian financial circles that the Gemina holding company, which is 27 per cent owned by Fiat, was planning to buy a 5 per cent stake in Generali, the leading Italian insurer. The Generali share stake is held by Euralex, the Luxembourg shell company which is controlled by Lazard Freres of Paris and in which a small stake is held by the family of Mr Giovanni Agnelli, Fiat chairman.

Asked about Generali, Mr Romiti responded that "the board of Gemina will meet at the end of this week." Milan analysts have said for some time that Mr Agnelli is eager to obtain more shares in Generali - the Gemina acquisition could make use of part of the £450bn earned from its recent sale of a controlling 17.1 per cent stake in the Montedison chemicals group.

Firelli, Italy's leading tyre and cables manufacturer, said last night it had concluded the acquisition of Metzeler, a tyre and rubber products subsidiary of West Germany's Bayer chemicals and pharmaceuticals group. The price of the purchase was not disclosed but is understood to be between \$30m and \$50m.

Cutback may put Alcoa into loss

By Terry Dodsworth in New York

ALUMINUM Company of America (Alcoa), the leading US aluminium manufacturer, is planning to reduce its smelting and refining capacity by around 25 per cent as part of a wide-ranging restructuring which will involve after-tax write-offs of about \$175m.

No indication was given yesterday of the impact of the charge on profits, but it is possible it will leave the company in loss by the end of this year. In the first nine months net income amounted to \$104m and in the third quarter to \$37m.

The Pittsburgh-based group said yesterday that the move reflected "fundamental and permanent" changes in the structure of the world's aluminium industry - a reference to the difficulties the US industry is facing in producing aluminium ingot at competitive world prices.

In recent years Alcoa has been adjusting to the increasing pressure on margins in the ingot business by shifting the emphasis of its business further into higher value-added fabricated products.

At present, about 80 per cent of the group's ingot production is sold to outside customers, but one of the main aims of the decision to reduce smelting capacity will be to bring it more closely into line with the company's fabricating facilities.

Mr Charles Parry, chairman, said he expected the action to improve the company's cost structure and "complement our objective of using advanced technology and higher levels of quality to gain advantage in those parts of the aluminium business that offer the greatest financial benefits."

Kaiser Aluminum, the third largest US aluminium producer, has rejected a \$880m takeover proposal from an investment group led by Mr J. A. Frates, a Tulsa businessman, as "vague and highly speculative."

The company also declined to talk to the investment group and added that it was considering adopting anti-takeover devices.

The bid by Mr Frates, which is backed by Mr Alan Clore, the British businessman, is priced at \$20 a share, of which \$7 is in cash and the rest in debt securities. The group already owns about 5 per cent of Kaiser's shares.

Norcem buys majority stake in Aker

BY FAY GJESTER IN OSLO

NORCEM, the Norwegian industrial concern which has expanded strongly into offshore activities, announced yesterday that it had a majority shareholding of 54.8 per cent in Aker, the offshore fabricating group.

Aker thus becomes a subsidiary of Norcem, making it one of Norway's largest industrial undertakings, with a labour force of 10,700, total annual turnover of about Nkr 7.5bn (\$780m) and forecast profit next year of about Nkr 500m.

Norcem, which already held 25 per cent of Aker and had long been keen to acquire control of the company, negotiated a share purchase agreement last month with a major shareholder, Mr Fred Olsen, the shipowner.

Mr Olsen agreed to sell 8.65m of his Aker shares - 28.8 per cent of the total - at Nkr 100 a share, making the deal worth Nkr 865m. But another large Aker shareholder, Asea of Sweden, shared with Norcem first option to buy the

Olsen shares.

The Norcem takeover became possible when Asea agreed not to exercise its option.

Aker last week raised its 1985 profits forecast from Nkr 160m to Nkr 250m. The eight-month profit figure, before extraordinary items, was Nkr 127m.

Norcem recently announced plans to raise Nkr 338m to help finance the Aker purchase through a one-for-four share issue at just over 200 per cent of par.

Flick set to relinquish control of Gerling in DM 500m deal

BY JONATHAN CARR IN FRANKFURT

MR HANS GERLING plans to regain full control of the West German insurance group which bears his name in a deal with Mr Friedrich Karl Flick, the entrepreneur, which could be worth about DM 500m (\$194m).

Sources in the Gerling concern indicated that accord in principle had already been reached on the deal between Mr Gerling and Mr Flick but gave no details.

Mr Flick announced last week he was selling off almost all his industrial group for around DM 5bn but would keep for the present his con-

trolling, indirect stake in Gerling. Mr Flick has an 86 per cent stake in the VDEI industrial holding company, which in turn owns 51 per cent of the Gerling Konzern Versicherung-Beteiligungs AG (GKB), the holding for the Gerling group. Mr Gerling holds the other 49 per cent.

Word that Mr Flick was only keeping his Gerling stake for the time being has since prompted lively speculation about who might eventually acquire the shares.

There have been suggestions that another insurance company might

take on at least part of the holding, in accord with Mr Gerling. But Gerling company sources said Mr Gerling aimed to take the whole stake himself.

The deal would mean a dramatic turnaround in the fortunes of Mr Gerling, who sold 51 per cent of his company a decade ago in the wake of the collapse of Bankhaus Herstatt.

Mr Gerling had a controlling interest in Herstatt and agreed to raise several hundred million DM-Marks to help make a court debt settlement possible.

New General Dynamics chief

By Our Financial Staff

THE BOARD of General Dynamics, the embattled US defence contractor, has formally elected Mr Stanley Pace as chairman and chief executive officer from December 31. He succeeds Mr David Lewis, who is retiring.

The company which earlier this month was temporarily suspended from receiving new government contracts after indictment by a US Grand Jury on charges of illegal cost overruns, said the election of Mr Pace completed the orderly transition of management responsibilities announced on June 1. That was when Mr Pace joined the company as vice chairman, having formerly been vice chairman of TRW.

Mr Gordon Macdonald, General Dynamics' executive vice president for finance and administration, is also retiring at the end of the year. A successor will be announced later.

DG Bank expects capital increase

By Our Financial Staff

DG BANK expects to increase its capital by DM 350m (\$138.8m) after taking over the business of Bayerische Raiffeisen-Zentralbank.

DG Bank, the West German central bank for the co-operative sector, needs the funds to cover an increase in balance-sheet volume of about DM 15bn to about DM 106bn after taking over BRZ's current business.

BRZ was rescued last week. It is understood that the bank's risk provision shortfall may be as high as DM 1.3bn.

Bayerische Vereinsbank lifts profits by more than 25%

BY JOHN DAVIES IN FRANKFURT

BAYERISCHE Vereinsbank, the big West German commercial bank, has substantially increased earnings, with a strong boost coming from share and bond market trading.

The Munich-based bank said overall operating profit in the first 10 months of the year was up by more than 25 per cent, although it did not disclose the amount.

Its interim report closely follows an announcement by other leading West German banks of improvements in earnings this year, in some cases by a substantial amount.

The Bayerische Hypothek- und Wechselbank, also based in Munich, indicated recently that it expected to report another good year after lifting operating earnings

by 7.1 per cent in the first 10 months.

Bayerische Vereinsbank said yesterday that its net interest-rate surplus in the first 10 months reached DM 1.1bn (\$436.5m), an increase of 8.4 per cent. Net earnings from commissions for services were up 20.5 per cent at DM 254.4m.

After taking account of personnel and material costs, the bank had a so-called "partial operating profit" of DM 500.8m in the first 10 months, which was 13 per cent more than for the same period last year.

Trading profits from shares and bearer bonds showed a considerable increase, the bank said, resulting in the rise in operating profits of more than 25 per cent.

The bank said that after putting aside funds for domestic and foreign risks, it expected to report a good result for the year but Mr Maximilian Hackl, the chief executive, has avoided speculation about the likely dividend payment.

Bayerische Vereinsbank, which has group assets of DM 130bn, has paid a dividend of DM 11 a share in each of the last two years. It raised DM 293m in a new seven rights issue last July, with the shares qualifying for a full year's dividend payment.

The bank said its interest-rate margin had been improving since mid-year because of lower refinancing costs, but that the margin was still not quite as high as in the previous year.

Roche to take Sokeri stake

By Our Financial Staff

HOFFMANN-LA ROCHE, the leading Swiss pharmaceuticals concern, is to sell a 25 per cent stake in Xyrofin AG to Suomen Sokeri, the Finnish sugar company, and take a small shareholding in the Finnish group.

The sale will leave Roche with a 25 per cent stake in Xyrofin, which is a joint venture by the Swiss and Finnish companies.

Under the plan, Roche will take 100,000 newly issued Series II shares in Suomen Sokeri, which a spokesman described as a "marginal" shareholding designed to help the Finnish group to finance the acquisition of the additional 25 per cent of Xyrofin.

Icahn and TWA hold talks on merger terms

BY OUR NEW YORK CORRESPONDENT

OFFICIALS from TWA, the US transatlantic airline, were discussing yesterday a possible amendment to the terms of the agreed merger with Mr Carl Icahn, the Wall Street investor who concluded an apparently successful takeover of the group more than two months ago.

In the first public admission that the deal had hit a snag, TWA confirmed that it was in talks with the New York financier, who is believed to be encountering problems in raising sufficient funds to complete the merger. Mr Icahn has previously indicated that the full cost of the deal, initially estimated at about \$825m, will amount to \$1.27bn.

The Icahn-led group already has

control of the airline after acquiring 82 per cent of the shares in a takeover battle in which it fought off a rival offer from Texas Air. Mr Icahn, however, is seeking a full merger.

Although it is not clear exactly how much finance Mr Icahn wants to raise to complete the bid - Wall Street believes that he would like some extra money to be able to fight a strike if necessary - it has been indicated that he is seeking to alter the mix of cash and securities originally determined for the takeover.

Under the initial proposals the minority shareholders were being offered \$19.50 in cash and a further \$4.50 in convertible preferred stock.

ANZ Banking issue causes turmoil

BY MAGGIE URRY

THERE was turmoil in the Euro-Australian dollar market yesterday when Australia and New Zealand Banking (ANZ) launched an issue with a coupon far higher than other new issues.

Yields on Euro-Australian bonds are well below domestic bond yields, giving borrowers the chance to arrange attractive swaps but denying investors the better returns. Last week three issues appeared with coupons of 14 or 14 1/2 per cent.

ANZ Banking's A\$50m issue, which matures in January 1990, has a 14 1/2 per cent coupon, still giving the borrower a funding cost well below the Australian Government's domestic bond issues yield. This deal, led by Orion Royal Bank, was not swap-driven. The issue price is 100%, and it was quoted around the 1 1/2 per cent fees.

Launched at the same time, and suffering as a result, was an A\$40m issue for Total, the French oil com-

pany, which matures in October 1990. The name may prove more popular among continental European investors than ANZ's, but the issue has a 14 1/2 per cent coupon and par issue price, with fees of 2 per cent. Lead manager is Banque Paribas. It was quoted outside the fees almost immediately by the bond brokers. Last week's issues also fell outside their commissions, with the exception of Unilever's.

In the Eurodollar bond market only one issue appeared, a property-backed two-tranche deal for Equitable-Lord Realty, a company formed by Equitable Life Assurance. The deal is backed by the rental payments on the company's New York office building.

The first tranche, for \$103.78m, matures after 10 years but has a 9.07 year average life. The coupon is 10 1/2 per cent and the issue price 99%. The second portion, for \$100m, matures in December 1997 but has

a 11.33 year average life. The coupon is 10 1/2 per cent and the issue price also 99%.

With fees of 2 per cent and 2 1/2 per cent respectively, the issues were launched at yields of 85 and 95 basis points above US Treasury yields. Both were led by Goldman Sachs and are part of a financing package involving deals in the US.

In the D-Mark market, Westdeutsche Landesbank launched a floating-rate note issue for Den norske Creditbank raising DM 250m. This sector has been under a cloud as a result of an oversupply of paper. The new deal has a 10-year life and an 8 per cent maximum coupon. Otherwise, the coupon will be fixed at 1/4 per cent above six-month London interbank offered rate. Issue price is par, and fees total 50 basis points, although German banks in the deal get an extra 10-basis-point listing fee. The issue was trading around the 50-basis-point fees.

CSFB-Effektenbank cut the coupon for the DM 25m five-year issue with equity warrants for Marzen Showa Unyu from the indicated 3 per cent to 2 1/2 per cent.

In the secondary market D-Mark bonds were little changed.

An Ecu 50m issue was launched for Imatra Voima, the Finnish state-owned power company, by Kansallis-Osake-Pankki. This matures in January 1996 but has an eight-year average life. The coupon was set at 9 per cent and the issue price at par. Fees total 2 per cent, and the bonds were trading just within this discount.

The Swiss franc three-year bond market was dull with prices mixed. Banca del Gottardo cut the coupon for Nissin Sugar's Sfr 50m issue with equity warrants from 3 per cent to 2 1/2 per cent.

High yen to lift Japan's utilities, Page 25; international bond service, Page 24

NEW ISSUE

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General Motors Acceptance Corporation

(Incorporated in the State of New York, United States of America)

U.S. \$200,000,000

10% Notes Due 1991

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Credit Suisse First Boston Limited

Deutsche Bank Capital Markets Limited

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November 1985

INTERNATIONAL COMPANIES & FINANCE

U.S. \$600,000,000



Malaysia

Floating Rate Notes Due 2009

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 10th December, 1985 to 10th June, 1986 the Notes will carry an Interest Rate of 8 1/2% per annum. The interest amount payable on the relevant Interest Payment Date which will be 10th June, 1986 is U.S. \$423.40 for each Note of U.S. \$10,000.

Credit Suisse First Boston Limited
Agent Bank

U.S. \$100,000,000

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Floating Rate Notes 1995

Subordinated as to payment of principal
and interest

In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 10th December, 1985 to 10th June, 1986 the Notes will carry an Interest Rate of 8 1/2% per annum. The interest amount payable on the relevant Interest Payment Date which will be 10th June, 1986 is U.S. \$423.40 for each Note of U.S. \$10,000.

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£100,000,000

PRUDENTIAL
CORPORATION plc

Floating Rate Notes Due 1995

Interest Rate 11.7875% p.a.
Interest Period 5th December 1985
to 5th March 1986
Interest Amount per
£10,000 Note due
5th March 1986 £290.85

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FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 8.

U.S. DOLLAR						U.S. DOLLAR						U.S. DOLLAR								
Issued	Bid	Offer	Change on day	Yield	U.S. DOLLAR	Issued	Bid	Offer	Change on day	Yield	U.S. DOLLAR	Issued	Bid	Offer	Change on day	Yield				
Amex 10% 82	100	101 1/2	+0 1/2	10.7	United Tech 10 05	300	100 1/2	101 1/2	+0 1/2	12.25	Amex 10% 83	100	102 1/2	+0 1/2	10.8	Amex 10% 84	100	103 1/2	+0 1/2	10.9
Amex 10% 84	100	103 1/2	+0 1/2	10.9	Western Pac 17 82	150	102 1/2	103 1/2	+0 1/2	10.14	Amex 10% 85	100	104 1/2	+0 1/2	11.0	Amex 10% 86	100	105 1/2	+0 1/2	11.1
Amex 10% 86	100	105 1/2	+0 1/2	11.1	World Bank 10 85	300	101 1/2	102 1/2	+0 1/2	10.14	Amex 10% 87	100	106 1/2	+0 1/2	11.2	Amex 10% 88	100	107 1/2	+0 1/2	11.3
Amex 10% 88	100	107 1/2	+0 1/2	11.3	Average price change On Day 0 1/2 week = 0 1/2						Amex 10% 89	100	108 1/2	+0 1/2	11.4	Amex 10% 90	100	109 1/2	+0 1/2	11.5
Amex 10% 90	100	109 1/2	+0 1/2	11.5							Amex 10% 91	100	110 1/2	+0 1/2	11.6	Amex 10% 92	100	111 1/2	+0 1/2	11.7
Amex 10% 92	100	111 1/2	+0 1/2	11.7							Amex 10% 93	100	112 1/2	+0 1/2	11.8	Amex 10% 94	100	113 1/2	+0 1/2	11.9
Amex 10% 94	100	113 1/2	+0 1/2	11.9							Amex 10% 95	100	114 1/2	+0 1/2	12.0	Amex 10% 96	100	115 1/2	+0 1/2	12.1
Amex 10% 96	100	115 1/2	+0 1/2	12.1							Amex 10% 97	100	116 1/2	+0 1/2	12.2	Amex 10% 98	100	117 1/2	+0 1/2	12.3
Amex 10% 98	100	117 1/2	+0 1/2	12.3							Amex 10% 99	100	118 1/2	+0 1/2	12.4	Amex 10% 00	100	119 1/2	+0 1/2	12.5
Amex 10% 00	100	119 1/2	+0 1/2	12.5							Amex 10% 01	100	120 1/2	+0 1/2	12.6	Amex 10% 02	100	121 1/2	+0 1/2	12.7
Amex 10% 02	100	121 1/2	+0 1/2	12.7							Amex 10% 03	100	122 1/2	+0 1/2	12.8	Amex 10% 04	100	123 1/2	+0 1/2	12.9
Amex 10% 04	100	123 1/2	+0 1/2	12.9							Amex 10% 05	100	124 1/2	+0 1/2	13.0	Amex 10% 06	100	125 1/2	+0 1/2	13.1
Amex 10% 06	100	125 1/2	+0 1/2	13.1							Amex 10% 07	100	126 1/2	+0 1/2	13.2	Amex 10% 08	100	127 1/2	+0 1/2	13.3
Amex 10% 08	100	127 1/2	+0 1/2	13.3							Amex 10% 09	100	128 1/2	+0 1/2	13.4	Amex 10% 10	100	129 1/2	+0 1/2	13.5
Amex 10% 10	100	129 1/2	+0 1/2	13.5							Amex 10% 11	100	130 1/2	+0 1/2	13.6	Amex 10% 12	100	131 1/2	+0 1/2	13.7
Amex 10% 12	100	131 1/2	+0 1/2	13.7							Amex 10% 13	100	132 1/2	+0 1/2	13.8	Amex 10% 14	100	133 1/2	+0 1/2	13.9
Amex 10% 14	100	133 1/2	+0 1/2	13.9							Amex 10% 15	100	134 1/2	+0 1/2	14.0	Amex 10% 16	100	135 1/2	+0 1/2	14.1
Amex 10% 16	100	135 1/2	+0 1/2	14.1							Amex 10% 17	100	136 1/2	+0 1/2	14.2	Amex 10% 18	100	137 1/2	+0 1/2	14.3
Amex 10% 18	100	137 1/2	+0 1/2	14.3							Amex 10% 19	100	138 1/2	+0 1/2	14.4	Amex 10% 20	100	139 1/2	+0 1/2	14.5
Amex 10% 20	100	139 1/2	+0 1/2	14.5							Amex 10% 21	100	140 1/2	+0 1/2	14.6	Amex 10% 22	100	141 1/2	+0 1/2	14.7
Amex 10% 22	100	141 1/2	+0 1/2	14.7							Amex 10% 23	100	142 1/2	+0 1/2	14.8	Amex 10% 24	100	143 1/2	+0 1/2	14.9
Amex 10% 24	100	143 1/2	+0 1/2	14.9							Amex 10% 25	100	144 1/2	+0 1/2	15.0	Amex 10% 26	100	145 1/2	+0 1/2	15.1
Amex 10% 26	100	145 1/2	+0 1/2	15.1							Amex 10% 27	100	146 1/2	+0 1/2	15.2	Amex 10% 28	100	147 1/2	+0 1/2	15.3
Amex 10% 28	100	147 1/2	+0 1/2	15.3							Amex 10% 29	100	148 1/2	+0 1/2	15.4	Amex 10% 30	100	149 1/2	+0 1/2	15.5
Amex 10% 30	100	149 1/2	+0 1/2	15.5							Amex 10% 31	100	150 1/2	+0 1/2	15.6	Amex 10% 32	100	151 1/2	+0 1/2	15.7
Amex 10% 32	100	151 1/2	+0 1/2	15.7							Amex 10% 33	100	152 1/2	+0 1/2	15.8	Amex 10% 34	100	153 1/2	+0 1/2	15.9
Amex 10% 34	100	153 1/2	+0 1/2	15.9							Amex 10% 35	100	154 1/2	+0 1/2	16.0	Amex 10% 36	100	155 1/2	+0 1/2	16.1
Amex 10% 36	100	155 1/2	+0 1/2	16.1							Amex 10% 37	100	156 1/2	+0 1/2	16.2	Amex 10% 38	100	157 1/2	+0 1/2	16.3
Amex 10% 38	100	157 1/2	+0 1/2	16.3							Amex 10% 39	100	158 1/2	+0 1/2	16.4	Amex 10% 40	100	159 1/2	+0 1/2	16.5
Amex 10% 40	100	159 1/2	+0 1/2	16.5							Amex 10% 41	100	160 1/2	+0 1/2	16.6	Amex 10% 42	100	161 1/2	+0 1/2	16.7
Amex 10% 42	100	161 1/2	+0 1/2	16.7							Amex 10% 43	100	162 1/2	+0 1/2	16.8	Amex 10% 44	100	163 1/2	+0 1/2	16.9
Amex 10% 44	100	163 1/2	+0 1/2	16.9							Amex 10% 45	100	164 1/2	+0 1/2	17.0	Amex 10% 46	100	165 1/2	+0 1/2	17.1
Amex 10% 46	100	165 1/2	+0 1/2	17.1							Amex 10% 47	100	166 1/2	+0 1/2	17.2	Amex 10% 48	100	167 1/2	+0 1/2	17.3
Amex 10% 48	100	167 1/2	+0 1/2	17.3							Amex 10% 49	100	168 1/2	+0 1/2	17.4	Amex 10% 50	100	169 1/2	+0 1/2	17.5
Amex 10% 50	100	169 1/2	+0 1/2	17.5							Amex 10% 51	100	170 1/2	+0 1/2	17.6	Amex 10% 52	100	171 1/2	+0 1/2	17.7
Amex 10% 52	100	171 1/2	+0 1/2	17.7							Amex 10% 53	100	172 1/2	+0 1/2	17.8	Amex 10% 54	100	173 1/2	+0 1/2	17.9
Amex 10% 54	100	173 1/2	+0 1/2	17.9							Amex 10% 55	100	174 1/2	+0 1/2	18.0	Amex 10% 56	100	175 1/2	+0 1/2	18.1
Amex 10% 56	100	175 1/2	+0 1/2	18.1							Amex 10% 57	100	176 1/2	+0 1/2	18.2	Amex 10% 58	100	177 1/2	+0 1/2	18.3
Amex 10% 58	100	177 1/2	+0 1/2	18.3							Amex 10% 59	100	178 1/2	+0 1/2	18.4	Amex 10% 60	100	179 1/2	+0 1/2	18.5
Amex 10% 60	100	179 1/2	+0 1/2	18.5							Amex 10% 61	100	180 1/2	+0 1/2	18.6	Amex 10% 62	100	181 1/2	+0 1/2	18.7
Amex 10% 62	100	181 1/2	+0 1/2	18.7							Amex 10% 63	100	182 1/2	+0 1/2	18.8	Amex 10% 64	100	183 1/2	+0 1/2	18.9
Amex 10% 64	100	183 1/2	+0 1/2	18.9							Amex 10% 65	100	184 1/2	+0 1/2	19.0	Amex 10% 66	100	185 1/2	+0 1/2	19.1
Amex 10% 66	100	185 1/2	+0 1/2	19.1							Amex 10% 67	100	186 1/2	+0 1/2	19.2	Amex 10% 68	100	187 1/2	+0 1/2	19.3
Amex 10% 68	100	187 1/2	+0 1/2	19.3							Amex 10% 69	100	188 1/2	+0 1/2	19.4	Amex 10% 70	100	189 1/2	+0 1/2	19.5
Amex 10% 70	100	189 1/2	+0 1/2	19.5							Amex 10% 71	100	190 1/2	+0 1/2	19.6	Amex 10% 72	100	191 1/2	+0 1/2	19.7
Amex 10% 72	100	191 1/2	+0 1/2	19.7							Amex 10% 73	100	192 1/2	+0 1/2	19.8	Amex 10% 74	100	193 1/2	+0 1/2	19.9
Amex 10% 74	100	193 1/2	+0 1/2	19.9							Amex 10% 75	100	194 1/2	+0 1/2	20.0	Amex 10% 76	100	195 1/2	+0 1/2	20.1
Amex 10% 76	100	195 1/2	+0 1/2	20.1							Amex 10% 77	100	196 1/2	+0 1/2	20.2	Amex 10% 78	100	197 1/2	+0 1/2	20.3
Amex 10% 78	100	197 1/2	+0 1/2	20.3							Amex 10% 79	100	198 1/2	+0 1/2	20.4	Amex 10% 80	100	199 1/2	+0 1/2	20.5
Amex 10% 80	100	199 1/2	+0 1/2	20.5							Amex 10% 81	100	200 1/2	+0 1/2	20.6	Amex 10% 82	100	201 1/2	+0 1/2	20.7
Amex 10% 82	100	201 1/2	+0 1/2	20.7							Amex 10% 83	100	202 1/2	+0 1/2	20.8	Amex 10% 84	100	203 1/2	+0 1/2	20.9
Amex 10% 84	100	203 1/2	+0 1/2	20.9							Amex 10% 85	100	204 1/2	+0 1/2	21.0	Amex 10% 86	100	205 1/2	+0 1/2	21.1
Amex 10% 86	100	205 1/2	+0 1/2	21.1							Amex 10% 87	100	206 1/2	+0 1/2	21.2	Amex 10% 88	100	207 1/2	+0 1/2	21.3
Amex 10% 88	100	207 1/2	+0 1/2	21.3							Amex 10% 89	100	208 1/2	+0 1/2	21.4	Amex 10% 90	100	209 1/2	+0 1/2	21.5
Amex 10% 90	100	209 1/2	+0 1/2	21.5							Amex 10% 91	100	210 1/2	+0 1/2	21.6	Amex 10% 92	100	211 1/2	+0 1/2	21.7
Amex 10% 92	100	211 1/2	+0 1/2	21.7							Amex 10% 93	100	212 1/2	+0 1/2	21.8	Amex 10% 94	100	213 1/2	+0 1/2	21.9
Amex 10% 94	100	213 1/2	+0 1/2	21.9							Amex 10% 95	100	214 1/2	+0 1/2	22.0	Amex 10% 96	100	215 1/2	+0 1/2	22.1
Amex 10% 96	100	215 1/2	+0 1/2	22.1							Amex 10% 97	100	216 1/2	+0 1/2	22.2	Amex 10% 98	100	217 1/2	+0 1/2	22.3
Amex 10% 98	100	217 1/2	+0 1/2	22.3							Amex 10% 99	100	218 1/2	+0 1/2	22.4	Amex 10% 00	100	219 1/2	+0 1/2	22.5
Amex 10% 00	100	219 1/2	+0 1/2	22.5							Amex 10% 01	100	220 1/2	+0 1/2	22.6	Amex 10% 02	100	221 1/2	+0 1/2	22.7
Amex 10% 02	100	221 1/2	+0 1/2	22.7							Amex 10% 03	100	222 1/2	+0 1/2	22.8	Amex 10% 04	100	223 1/2	+0 1/2	22.9
Amex 10% 04	100	223 1/2	+0 1/2	22.9							Amex 10% 05	100	224 1/2	+0 1/2	23.0	Amex 10% 06	100	225 1/2	+0 1/2	23.1
Amex 10% 06	100	225 1/2	+0 1/2	23.1							Amex 10% 07	100	226 1/2	+0 1/2	23.2	Amex 10% 08	100	227 1/2	+0 1/2	23.3
Amex 10% 08	100	227 1/2	+0 1/2	23.3							Amex 10% 09	100	228 1/2	+0 1/2	23.4	Amex 10% 10	100	229 1/2	+0 1/2	23.5
Amex 10% 10	100	229 1/2	+0 1/2	23.5							Amex 10% 11	10								

INTERNATIONAL COMPANIES and FINANCE

Interim jump for Hongkong Wharf

By DAVID DODWELL IN HONG KONG

THE HONGKONG and Kowloon Wharf and Godown Company, the property group controlled by shipowner Sir Yue-Kong Pao that early this year won a fiercely fought HK\$2.5bn (US\$320m) contest for control of Wheelock Marden, yesterday posted after-tax profits of HK\$502.4m for the six months to September—an increase of almost 37 per cent on the HK\$220.8m earned in the corresponding period last year.

The group's total tangible assets have leapt to HK\$11.1bn from HK\$3.3bn following the Wheelock takeover, which provides the Wharf company with a substantial retailing and trading operation.

Mr Peter Woo, the group's managing director and the son-in-law of Sir Y. K. Pao, said profits from Wheelock would "exceed expectations." Wheel-

lock Maritime, Wheelock's 50 per cent-controlled shipping operation, was put into liquidation in July. Wheelock Marden suffered a loss of HK\$281m last year.

Mr Woo said group net borrowings, which jumped to HK\$2.6bn following the Wheelock purchase, had been trimmed to HK\$1.4bn by August this year, after Wharf arranged a HK\$1.2bn commercial paper facility. In a group with a market capitalisation of about HK\$20bn, he said, debts are "well within the group's debt servicing capabilities."

He said that the Wharf company had "a tremendous amount of resources available for investment," and was "actively looking at how to redeploy its capital," but did not point to any specific investment of takeover target. Barely

a month ago, the group was narrowly outbid at a public auction when it offered over HK\$600m for the right to develop a prime site in Kowloon.

The company said its prime retail, office and residential properties in Kowloon "have performed particularly well." Occupancies are understood to be over 90 per cent.

Similarly, the group's three hotels in the territory, The Marco Polo, The Prince and The Hong Kong Hotel, maintained high occupancy rates throughout the period under review. From the beginning of 1985, the group is to set up its own hotel management subsidiary to operate its hotels. This follows a dispute with the group currently managing its three Hong Kong hotels.

The Wharf board has de-

clared an interim dividend of 8.5 cents per share, compared with 7 cents at the half-way stage last year.

● Cheung Kong, another Hong Kong property group, is to issue HK\$1bn of three-year commercial paper with the mandate likely to be awarded to Wardley and Citicorp International, Reuter adds from Hong Kong.

The underwriting margin will be a maximum of 12 basis points over one, two and three-month Hong Kong interbank offered rates, bankers said. The facility fee will be 1 point.

Wardley and Citicorp are seeking between eight and 12 co-managers for the issue, which is expected to be finalised within two weeks. Bankers said Cheung Kong would use the proceeds for general working capital.

US clashes with Japan on financial liberalisation

By Jurek Martin in Tokyo

JAPAN and the US have again clashed over the pace of financial liberalisation in Japan.

Mr David Mulford, the US Assistant Treasury Secretary, said yesterday that Japan had demonstrated "little evidence of intensified effort" to pursue liberalisation along the lines to which Japan had committed itself at the Group of Five ministerial meeting in New York last September.

After the latest round of regular consultations with Mr Tomomatsu Oba, the vice Minister of Finance, Japan was "not moving fast enough" to create a viable secondary market in Euroyen bonds and an effective market in new Japanese short-term government paper.

The US has consistently pressed Japan for the last two years on what it sees as the need to create an equivalent to the US Treasury bill market.

Japan does have such instruments but they are used primarily as a means of fine-tuning liquidity in the money markets.

Mr Mulford maintains that the proposed extended short-term paper market as outlined by Mr Oba would hold little interest for foreign investors in particular, because Japan intended to continue to apply withholding taxes on purchases.

Mr Oba countered that since the new government paper was considered a revenue bond, Japan had no alternative.

On Euroyen bonds, Mr Mulford argued that Japan was still denying reasonable access to Japanese residents. He was critical of the financial criteria the Ministry of Finance uses in determining which Japanese companies may issue Euroyen bonds.

Sharp rise for Pakistan Airlines

By Mohammed Aftab in Islamabad

PAKISTAN International Airlines (PIA), the national flag carrier, boosted earnings by 22.1 per cent in the year to June, to PRs 688.55m (\$54.35m).

The company also announced that the government is shortly to sell a 4.7 per cent stake to the public, which will take the private shareholding to 9.81 per cent.

The government will then hold 50.77 per cent of the shares directly while state insurance companies have 4.27 per cent, the nationalised banks 35.06 per cent, and investment companies the fractional remainder.

The airline has expanded its domestic network to 29 cities, and its international network to 38 cities in Asia, the Middle East, Africa, Europe and the US. It carried 3.75m passengers in 1984-85, nearly a quarter of a million more than the previous year.

The company said rationalisation of routes and better use of capacity aided the improvement in its results.

It announced an 18 per cent dividend for the year, up from 17.5 per cent. The dividend will be paid in the form of bonus shares.

Total revenue for the year was PRs 10.14bn compared with PRs 9.3bn in 1983-84.

High yen to lift Japan's utilities

By YOKO SHIBATA IN TOKYO

JAPAN'S nine power companies, expect windfall gains totalling nearly ¥114bn (\$60.1m) from the yen's steep appreciation on their imports of dollar-priced commodities such as crude oil and coal in the current year to March 1986.

The forecast is based on the assumption that the yen averages ¥210 against the dollar in the second half, an appreciation of ¥48 over a year ago.

As is often the case when the yen is strong, the companies are encountering pressure from customers including industry and the general public to cut utility rates in order to redistribute the currency gains. However, the power companies are reluctant to cut rates, arguing that profits stemming from the yen's rise should be allotted to a price fluctuation reserve and

JAPANESE POWER COMPANY RESULTS (Ybn)

	First-half sales	%	First-half pre-tax profits	%	Full-year pre-tax profits (forecast)	Exchange gains (forecast)
Hokkaido	222	+2.0	11.8	+7.4	28	0.4
Tohoku	571	+4.2	32.2	+14.3	70	10
Kanto	2,706	+4.9	102.0	+4.6	260	40
Chubu	945	+4.3	68.7	+17.1	150	24
Hokuriku	192	+2.9	22.5	+5.4	45	3.5
Kansai	1,121	+3.4	45.4	+1.1	180	19
Chugoku	223	+0.2	28.2	+4.9	74	7
Shikoku	223	+1.4	22.6	+14.4	46	3
Kyushu	568	+2.5	26.8	+0.1	85	7
Total	4,416	+4.2	301.2	+4.5	940	113.9

other similar accounts.

The appreciation in the yen was chiefly the trigger for a request by the Ministry of International Trade and Industry (MITI) for the nine companies to spend an additional ¥1,000bn on plant and equipment invest-

ment in the three years from next April.

Average capital spending among the nine is a little over ¥3,000bn a year. The additional amount would bring a three-year equipment investment plan to ¥11,000bn.

Hyundai Motor share probe

THE KOREA stock exchange has ordered four domestic stockbrokers to submit reports by today on Hyundai Motor share transactions for November to investigate possible "share price manipulation," AP-DJ reports from Seoul.

An exchange official said it would investigate details of

Hyundai share transactions through Dongsun Securities, Daeil Security, Dongbang Security, and SSangyong Investment and Security Company.

He said the share price of Hyundai surged without any clear reasons and most of the transactions were carried through these four

Downturns for OCBC offshoots

By Chris Sherwell in Singapore

FRASER & NEAVE, the soft drinks manufacturer, and Malayan Breweries, two Singapore companies linked to the OCBC banking group, have reported declines in net profits.

The group is dominated by the Overseas-Chinese Banking Corporation (OCBC), one of the big four local banks, and includes other companies like Straits Trading and Great Eastern Life Assurance in a complex web of ownership.

Fraser & Neave reported a 5.1 per cent fall in group net profits to S\$39.7m (US\$18.8m) for the six months to September. Turnover increased by 11.5 per cent to S\$559m.

Malayan Breweries showed a 12.7 per cent decline in group net profit, to S\$15.1m for the full year to September. Turnover was up by 16.1 per cent to S\$133m.

Both companies have suffered from Singapore's poor trading conditions. Fraser & Neave said its tax charge was relatively high and was pleased to have maintained earnings at the pre-tax level.

George Tan bailed

MR GEORGE TAN, former chairman of the collapsed Carrian group, who was arrested at the weekend on new charges of bribery and conspiracy to defraud, has been freed on bail.

Reuter reports from Hong Kong. Bail was maintained at HK\$52m (US\$6.7m), the amount set under two previous counts of conspiracy to defraud linked to the collapse of Carrian Investments in 1983. Also released on bail were Mr Bentley Ho and Mr Carrie Woo.

PAN-HOLDING

Societe Anonyme Luxembourg

As of November 30, 1985, the consolidated net asset value was US\$191,130,249.49, i.e. US\$273.04 per share of US\$50 par value.

The consolidated net asset value per share amounted as of November 30, 1985 to US\$281.18.

STOCKHOLDERS FAR EAST INVESTMENTS INC.

Net Asset Value

30th November 1985

\$2.95

per share (unaudited)

ENERGY RESOURCES & SERVICES INCORPORATED

Net Asset Value

30th November 1985

\$7.20

per share (unaudited)

NOTICE OF EARLY REDEMPTION
Kingdom of Sweden

U.S.\$150,000,000
Floating Rate Notes Due 1995

Notice is hereby given that in accordance with Clause 6(a) of the Terms and Conditions of the Notes, the Kingdom will redeem all of the outstanding Notes at their principal amount on 16th January, 1986, when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation of the Notes with all unexpired Coupons attached, at the Offices of any one of the Paying Agents mentioned thereon.

Accrued interest due 16th January, 1986 will be paid in the normal manner against presentation of Coupon No. 6 on or after 16th January, 1986.

Bankers Trust Company, London Fiscal Agent

10th December, 1985

NOTICE OF EARLY REDEMPTION
U.S.\$50,000,000

Alcoa of Australia Limited
(Incorporated in the State of Victoria with limited liability)



ALCOA AUSTRALIA

16% Notes Due 1989

Notice is hereby given that pursuant to the Condition 6 (b) of the Notes, the Company will redeem all of the Notes at 101% of their principal amount on the next interest payment date, 15th January 1986, when interest on the Notes will cease to accrue.

Repayment of principal will be made upon presentation and surrender of the Notes, with all unexpired coupons attached, at the offices of any one of the Paying Agents mentioned thereon. Coupon No. 4 which matures on 15th January 1986 should be detached and presented for payment in the normal manner.

Bankers Trust Company, London Fiscal Agent

10th December 1985

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UK COMPANY NEWS

Chloride profits wiped out midway

ON TURNOVER showing a fall of 17 per cent, taxable earnings in the first half were wiped out by Chloride Group against profits last time of £5.4m. The profit performance is described by Sir Michael Edwards, chairman, as unsatisfactory and warned that in the second half the results are unlikely to be better than the £8.8m for the comparable period last time.

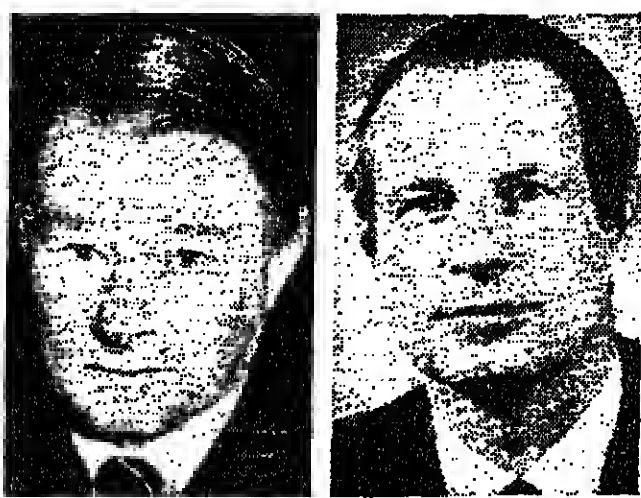
Mr Ken Hodgson, will be giving up his chief executive position in January. A successor is to be announced later. In the meantime Sir Michael will chair the group management board in addition to being non-executive chairman.

Mr Hodgson will retain his chairmanship of the group's major South African subsidiary. In the six months to the end of September 1985 turnover for the maker of batteries and related systems fell from £192.5m to £158.5m. The stated loss per share came out at 5p against 1.5p last time and again only the dividend on the 4 per cent preference stock will be paid.

The last ordinary dividend was 4p, paid in respect of the 1979-80 year. A dividend of 4p and 7.5 per cent cumulative convertible preference shares was made at the interim stage last year but deferred at the year end. Arrears amount to £5.4m, or 20.24p per share.

Sir Michael says that the group's objective is to improve margins and cut costs at all levels to those in line with its reduced size.

"We have good businesses, now backed by sound balance sheet, and we must improve their profitability as quickly as



Sir Michael Edwards (left), chairman of Chloride Group and Mr Ken Hodgson, chief executive

possible," he tells shareholders. During the period the North American automotive and motive power battery businesses and the companies in Australasia were sold to Sunbeam. The results include turnover of £34.6m and pre-tax losses of £2.1m relating to the companies.

The sale raised £34.5m, with a profit of £3.7m being taken into the accounts below the line as an extraordinary credit. The proceeds were used to reduce borrowings and in addition loans of £2.1m attaching to the businesses are no longer a group liability.

Sir Michael says that despite the adverse effect of exchange

£1.2m, leaving attributable losses, before extraordinary items, of £3.3m (£800,000).

Sir Michael says that Chloride Silent Power, which is jointly owned with the Electricity Council, continues to make progress in the development of the ESEA (sodium sulphur) battery. In September the US Department of Energy awarded the company a \$8m contract for continuing research and since then a \$5m contract has been secured from the US Electric Power Research Institute for the development of the battery for load levelling purposes.

comment

Fixing up the balance sheet was a precondition of Chloride's survival as a company, even if it meant disposing of half the group's more interesting businesses. But bringing the balance sheet gearing down by 40 percentage points was not enough to ensure the survival of the chief executive—now, at any rate, in a half year when the group had nothing to show for its efforts in the profit and loss, and the preference dividend had to be put back yet again. Since interest costs will henceforth be at about half their previous level, it is probable that Chloride will have some sort of pre-tax profit for the full year. Thereafter, Sir Michael Edwards' return should at least strip out as thick a layer of costs as will want to think about with care. So will shareholders of all three classes; yesterday the ordinary dropped

rates movements on reserves, gaining fell from 75 per cent to less than 35 per cent.

"The balance sheet has therefore been strengthened considerably and management has done a good job in this respect. Profit performance is another matter and this has been unsatisfactory despite continuing good performance from overseas," he adds.

Operating profits came out at £4.4m (£10.6m) with the share of £1.2m (£3.0m). The pre-tax result was struck after interest charges of £4.7m. There was an overseas tax charge of £4.1m (£5.1m) and minorities took an unchanged

Hazlewood moves into nuts and popcorn

By Lionel Barber

HAZLEWOOD FOODS, the fast-growing pickles and pizza group, is to pay \$2m for Bard Group, the privately-owned nuts and popcorn business.

Yesterday's announcement of the Bard deal came as Hazlewood revealed a 56 per cent rise in pre-tax profits for the first six months to last September on turnover of £53m, double the previous year.

The purchase of Bard, which ranks as one of the UK's top nut manufacturers, is Hazlewood's first move into the snack foods and confectionery businesses.

"It is a growth area where we intend to expand," said Mr Dennis Jones, Hazlewood's finance director yesterday.

Last June, Hazlewood raised £20.5m through a one-for-one rights issue and the Bard deal is the latest of a string of acquisitions. Last September, it paid £10m for Olaf Foods, the frozen fish and ethnic food subsidiary of B&C, the frozen food retailer.

Bard Group made £1.32m pre-tax profits for the year ended last October, compared to £757,000 in 1984. The £20.5m investment was £16.5m in new plant and equipment in 1983 and 1984 and has a freehold factory in East Ham and two leasehold factories in Heston, in north-west London.

Hazlewood is to pay £2.5m in cash out of its own resources for Bard. In addition it is raising £5m through a new placing and will allot 126,426 new ordinary shares valued at around £1.09m.

These new shares will be retained by the company. Hazlewood shares rose sharply yesterday closing at 789p up 13p on the day.

The sharp increase in turnover for the first six months of this year reflects the recent acquisition of the Kellogg European Food Group. Mr Jones said that though sales were considerably higher, margins had suffered slightly.

However, he pointed out that earnings per share at 14.98p (compared to 12.42p adjusted) had grown by 20.6 per cent. Hazlewood is paying an interim dividend of 4p (3.5p).

A further payment for Bard may be necessary, depending on the profits achieved by manufacturing during the five month period to March 1986.

Osprey Communications, advertising agency holding company, failed to meet its expectations and pre-tax profits fell 56 per cent in the half-year to September 30 1985 from £64,000 to £23,000.

The board is deferring a decision on an interim payment. Last year 0.5p was paid mid-way with a final payment of 0.75p on £200,800 profit before tax.

Turnover in the period rose from £660,000 to £1.74m. However, profits at Ralston, Mitchell, Birmingham (Advertising and Marketing), fell well below those of the corresponding period last year. This was caused, Osprey says, by a small decline in turnover accompanied by a lower average profit margin. The resulting fall in gross profits was intensified, it says, at the pre-tax level by increased overheads.

Gartmore profits slide and US troubles ahead

BY CHARLES BATCHELOR

A SHARP profits decline at Gartmore Investment Management, which controls £2.2bn worth of funds, was announced yesterday by Exco International, the money broking group which is Gartmore's majority shareholder.

Gartmore's pre-tax profit in the year ending December 31 is believed to be substantially lower than the £4.37m profit in the exceptionally good year 1984, Exco said. There is unlikely to be any improvement in 1986. In September it announced Gartmore's first half trading profit had fallen.

Gartmore's profits downturn was disclosed in a document from Exco outlining its plans to exchange its 50.1 per cent in Gartmore and 40 per cent of Fisco, a small venture capital company, for the 30 per cent holding in London Forfeiting held by British & Commonwealth Shipping.

Exco and B & C are unravelling their business interests following the resignation of Mr John Gunn as chief executive at Exco and his move to an executive directorship with B & C.

Tan Sri Khoo Poo Kuan, the Malaysian businessman who has built up a 24.9 per cent share-

holding in Exco, was disappointed with the amount of information contained in Exco's formal document explaining the exchange of shareholdings, according to J. Henry Schroder Wagg, his merchant bank adviser. The document does not value the assets being transferred and gives little information to allow an evaluation, Schroders said.

Tan Sri Khoo is also dissatisfied with Exco's offer, contained in yesterday's documents, on its board. "We still feel that is not equitable given that there are 21 directors on the Exco board at the moment," Schroders said.

No decision has yet been taken by Tan Sri Khoo as to whether he should vote against the exchange at the extraordinary meeting called by Exco for December 23. The proposal requires a simple majority to be carried.

which brought its majority holding in Gartmore from B & C in August 1983, said Gartmore had also failed to establish itself in the US.

Gartmore bought 51 per cent of Kingsley, Jenkinson, McNulty & Morse, a San Francisco company, in May 1984. KJMM had

\$800m of funds under management but has since suffered a loss of funds, Exco said.

In addition Gartmore's venture capital investments in the US West Coast have given rise to significant losses both in Gartmore and in the funds managed. These losses may well require the injection of significant further equity capital into Gartmore, Exco said.

Gartmore experienced a major boardroom upheaval soon after Exco took control. Four Gartmore directors resigned in mid 1984 and in April 1985 Mr Adrian Collins, the managing director, also resigned.

Fisco has written off or made provision for \$8m worth of the \$9m of dollar funds invested and half of the £200,000 of sterling funds invested. It will show a significant accumulated deficit at December 31, Exco said.

London Forfeiting, the company over which Exco will take control, increased pre-tax profits to £4.4m in the six months ended June 1985 from £1.5m in the preceding eight months. Its first trading period. It has continued to trade at these higher levels in the second half of 1985, Exco said.

Stock Conversion profits jump

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

Stock Conversion, the major UK property group in which Stockley holds an unvoting 26.5 per cent, yesterday announced a large increase in interim profits.

The group, which is in the final stages of reorganising with Stockley, said its interim profits for the first six months of the seven-month-old shareholding achieved pre-tax profits of £12.1m in the six months to September 30, compared to £9.4m in the same period of the previous year.

Neither side in what has been very difficult discussions is committed to progress, but it is thought an agreement on a way to resolve the position will be announced shortly. A series of discussions have been held, but the "outright" acquisition of Stockley or a share-property swap between the two parties appear to be the most likely course.

Mr Lane said the latest results provided ample evidence that the group was actively and successfully managing its own

City stadium site to the British Broadcasting Corporation, together with retained profits, helped give net assets per share at the half-way stage by 48p to 585p. The BGC sales generated a capital surplus after tax of over £20m or 35p a share.

Profits on investment activities rose from £3.9m to £10.3m, while dealing profits increased from £0.6m to £1.9m. Mr Jonathan Lane, joint managing director of Stock Conversion, said that the group's current capital development stood at around £60m but that, over the next two or three years, the figure was expected to rise to £100m and remain at that level.

The commitment is likely to mean that the group will consider some form of money-raising exercise over the medium term.

Mr Lane said the latest results provided ample evidence that the group was actively and successfully managing its own

affairs and that it could, without outside help, offer shareholders the benefit of continuing growth.

Stock Conversion was anxious to see an end to the uncertainty created by Stockley's presence and "constructive and continuing" discussions were being held with that aim in mind," he added.

Stock Conversion has recently submitted a planning application to develop 150,000 sq ft of offices on a site close to the Old Bailey in the City of London. It has completed the latest refurbishments on its Chinatown Estate in Soho and, with Electra Investment Trust, has just announced its decision to back Pemphroke, a newly-formed retail development company to be run by Mr Colin Molyneux of Molyneux Rose, the estate agent, and Mr Johnnie Arkwright, former of Grosvenor Developments and Hatton Developments.

London listing for Lexicon

Lexicon, a company based in Boston, Massachusetts, which designs, manufactures and sells digital audio equipment, is being floated on the London stock market with a value of £10.2m.

L. Messel & Co. is offering for sale 3.5m shares at 115p each, representing 40 per cent of the equity. Existing shareholders are selling 900,000 shares, with the remainder being sold by the company to raise £2.6m after expenses. The new money will be used to repay its borrowings and to expand its business.

The company, which was founded in 1971, claims to have produced the world's first digital audio processing device. Its products enhance and manipulate sound electronically, and are used by the music and broadcast industries.

Lexicon's main product is a digital reverbulator which can make a recording sound as though it came from a concert hall or from a small room. Last year reverbulators accounted for about 80 per cent of the com-

pany's turnover.

In each of the last five years, Lexicon has invested at least a quarter of gross profits to research and development, spending £1.6m last year. Much of this has been spent on developing a random access digital audio recorder, processor and editor, which will be sold at a higher price than Lexicon's existing products, and for which the directors expect there to be a large market.

Profits have grown from £718,000 in 1981 to £1.7m in the year to August 1985, on sales up from £3.8m to £10.5m. The directors consider it to be too early in the current year to make a profit forecast.

At the offer price of 115p the shares are on a price earnings ratio of 13. The yield is 2 per cent.

Dealings in the shares begin on December 19.

comment
However anxious one might feel about faddishness in the music

business, or about the threat to the small fry posed by powerful Japanese manufacturers of audio equipment, this issue seems attractive enough to overcome such worries. The modesty of the p/e ratio says much about investors' suspicion of US companies who choose to raise money here. However, Lexicon's reasons for doing so are persuasive—for a small high tech company, floating in the UK is both simpler and cheaper than doing so in the US. If Lexicon's margins are much slimmer than those of AMS, its obvious UK quoted competitor, it is because it spends much more on R & D and on marketing. The length of its profit record is reassuring, as is the respect it appears to command within the industry. The new disc project, while exciting, is a completely unknown quantity, and it may be a while before its benefits fall through on to the bottom line.

Dobson slows in second half

WITH MOST of the increase coming in the first six months, taxable profits of Dobson Park Industries rose to £3.72m for the year ended September 30 1985, compared with £1.06m previously.

A rise of 23.5 per cent. At half-way the surplus was ahead from £4.4m to £5.8m, and directors of this mining machinery, engineering and power tools group were confident of an overall improvement at the year end.

They had warned, last February, that the shadow of the miners' dispute and its aftermath must temper any views they had for the second half—profits for that period amounted to £3.05m against £2.62m.

Earnings per 10p share are given as 7.3p (4.9p), after tax £2.65m (£2.99m). The dividend is unchanged at 5.21p net with a same-again final payment of 3.11p.

The directors say that no allocation of profit will be made to the employee share scheme, approved by members on February 14 last, in respect of the year.

Of the pre-tax figure for the year mining equipment accounted for the major part, with £6.6m, against £3m last time, while the remainder was split as to power tools £2m (£2.1m restated), engineering £1.22m (£37,000 restated), property and invest-

ment management £557,000 (£342,000), foreign currency adjusted, and interest £2m (£1.55m).

Group turnover rose from £191.25m to £204m and gross profits amounted to £44.52m, compared with £40.56m. Other operating expenses totalled £34.73m (£33.56m) while the pre-tax figure was after the share of profits of associates, £322,000 (£308,000), interest charges of £5.1m (£2.9m), and investment income lower at £1.62m, against £1.8m. There were also increased redundancy and reorganisation costs of £1.25m (£384,000) and adverse currency adjustments of £36,000 (£690,000).

Below the line there were extraordinary debits of £1.42m (£962,000), adjustable for attributable tax which left a balance of £4.67m (£3.11m).

The extraordinary items comprised losses, after tax relief, of £300,000 on the redemption of the share capital representing the group's 41.6 per cent interest in Turner-Morris, South Africa, and £665,000 on the discontinuance of a dairy wheel printer for use with small business computers.

comment
Dobson Park had warned at the half-way stage that mining equipment sales would be badly

hit in the second half but in the event the worst fears seemed to have been overdone and the market expressed its relief by putting the shares up 51p to 86p. This is not to say the group's troubles are quite over: capital spending from the Coal Board has still not recovered and profits in that quarter are unlikely to be far ahead this year. Power tools will have benefited from last year's reorganisation and should make some modest progress but the real growth seems likely to come from engineering, where a rationalisation of the division's activities is likely to bring a substantial recovery in the core operations, notably Markon Engineering. For the full year about £10.5m is in sight, putting the shares on a prospective p/a ratio of 11 after a 37 per cent tax charge—a level still supported more by the attractive yield than the prospect of an early return to the profit levels of five years ago.

BINDER HARTLEY has been appointed auditor of Fleet Holdings, owners of Express Newspapers, replacing Touche Ross. Fleet was acquired by United Newspapers earlier this year in a fiercely contested £317m takeover battle.

KIO lifts stake in Royal Bank

THE Kuwait Investment Office has raised its stake in the Royal Bank of Scotland from 8.2 per cent to 14.7 per cent by buying 126,426 new ordinary shares valued at around £1.09m.

These new shares will be retained by the company. Hazlewood shares rose sharply yesterday closing at 789p up 13p on the day.

The sharp increase in turnover for the first six months of this year reflects the recent acquisition of the Kellogg European Food Group. Mr Jones said that though sales were considerably higher, margins had suffered slightly.

However, he pointed out that earnings per share at 14.98p (compared to 12.42p adjusted) had grown by 20.6 per cent. Hazlewood is paying an interim dividend of 4p (3.5p).

A further payment for Bard may be necessary, depending on the profits achieved by manufacturing during the five month period to March 1986.

Osprey Communications, advertising agency holding company, failed to meet its expectations and pre-tax profits fell 56 per cent in the half-year to September 30 1985 from £64,000 to £23,000.

The board is deferring a decision on an interim payment. Last year 0.5p was paid mid-way with a final payment of 0.75p on £200,800 profit before tax.

Turnover in the period rose from £660,000 to £1.74m. However, profits at Ralston, Mitchell, Birmingham (Advertising and Marketing), fell well below those of the corresponding period last year. This was caused, Osprey says, by a small decline in turnover accompanied by a lower average profit margin. The resulting fall in gross profits was intensified, it says, at the pre-tax level by increased overheads.

Lexicon's main product is a digital reverbulator which can make a recording sound as though it came from a concert hall or from a small room. Last year reverbulators accounted for about 80 per cent of the com-

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In each of the last five years, Lexicon has invested at least a quarter of gross profits to research and development, spending £1.6m last year. Much of this has been spent on developing a random access digital audio recorder, processor and editor, which will be sold at a higher price than Lexicon's existing products, and for which the directors expect there to be a large market.

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Highland Distilleries

Increased Sales of "The Famous Grouse"

Turnover for the year ended 31st August 1985 exceeded £100 million for the first time whilst profits before tax rose 15% to £9.5 million.

The recommended final dividend for the year is 1.42p per share making 198p for the year—an increase of 12.5%.

In his annual statement to shareholders the Chairman, Mr. J. A. R. Macphail, draws attention to the excessive duty and tax burdens imposed by the Government on the Scotch Whisky Industry including a higher effective rate of Corporation Tax on profits due to the abolition of Stock Relief.

The results were achieved despite yet another increase in duty and reflect not only the continued success of "The Famous Grouse" but also increased contributions from bottled malts and new fillings, the latter showing a very encouraging improvement. Mature whisky sales were at about the same level as last year.

"The Famous Grouse" continues to increase its share of the Home Market. During the current calendar year sales of the brand have increased in Scotland in contrast to the marginal decline last year. There is considerable scope for further development in England where sales were comfortably ahead of last year.

Exports were some 12% ahead in volume with the increase coming from a number of different markets. Both the Home and Export markets are becoming increasingly competitive and investment in support of the brand will continue to be heavy.

"The Famous Grouse" brand is a quality product that is enjoying sales momentum at the present time and it is our intention to keep it that way ably supported by our distributors in their various markets.

Copies of the Annual Report and Accounts, containing the Chairman's Statement in full, can be obtained from The Secretary, The Highland Distilleries Company plc, 106 West Nile Street, Glasgow G1 2QY.



QUALITY IN AN AGE OF CHANGE

LADBROKE INDEX
1,117,121 (-2)
Based on FT Index
Tel: 01-427 4411

CROSSLAND SAVINGS, FSB
U.S.\$100,000,000
Collateralized Floating Rate Notes,
Series A due December 1997

For the three months
5th December 1985 to 5th March 1986 the Notes
will carry an interest rate of 8 1/4% per annum with an
interest amount of U.S.\$217.88 per U.S.\$100,000 nominal
The relevant interest payment date will be
5th March 1986

Listed on the Luxembourg Stock Exchange
Bankers Trust Company
Agent Bank

Standard Chartered

Standard Chartered PLC
(Incorporated with limited liability in England)

US\$400,000,000 Undated Primary Capital
Floating Rate Notes

In accordance with the provisions of the Notes,
notice is hereby given that for the Interest Determination
Period from 9th December, 1985 to
3rd January, 1986 the Notes will carry interest at the
rate of 8 1/4%

UK COMPANY NEWS

Forgemaster write-down leaves JFB £26m in red

Johnson & Firth Brown's involvement in the loss-making Sheffield Forgemasters joint venture has left the specialist engineering group with an attributable loss of £25.7m for the year to September 30 1985, wiping out a pre-tax profit of £3.6m, up from £2.1m from the group's ordinary activities.

JFB's investment in Forgemasters has been written down to £1, at a cost of £13.4m (nil). Forgemasters' losses totalled £25.7m, against £8.25m, including the write-down, and have been treated as extraordinary items.

Mr John Clay, the chairman, said that most of the group's operating companies prospered in the improved business conditions following the end of the miners' strike, and benefited from the maintenance of the higher level of demand within the aerospace, general engineering and the automotive industries.

He added that he believed that JFB had the necessary strengths to build on the progress achieved in the past two years, and looked forward to further improvement in 1986.

JFB's otherwise profitable performance has for some time been overshadowed by the Forgemasters' venture, which the company entered along with the

British Steel Corporation in 1982. Announcing the write-down last month as part of a broader capital reduction plan, the company said it hoped to be able to resume dividends in 1987 after a six-year absence.

For the year under review, the profit and loss account has been restated to distinguish the Forgemasters figures from those of the rest of the JFB group. Because of the write-down, the joint venture's losses will no longer figure in the accounts.

At the period end, net borrowings were £28.6m, but Mr Clay said that these would be reduced to £19m (of which £13.1m is in the form of 11 per cent unsecured loan stock (1985-88)) once the sales of the US subsidiary Cannon-Muskegon and the UK machine tool outfit Richard Lloyd have been completed.

Turnover came to £113.87m (£112.38m) and, excluding Forgemasters, produced operating profits of £8.1m, against a comparable £5.44m. Interest charges were slightly down at £3.52m against £3.69m, and the company got £394,000 (£346,000) as its share of associate profits. Tax took £1.01m (£781,000) to leave a profit of £2.67m, against £1.32m, on ordinary activities.

An extraordinary debit of £27.1m (£1.41m) included a £2.38m loss on the Richard Lloyd disposal.

The Forgemasters' loss comprised: share of trading loss for the year of £7.64m (£5.2m); a tax credit of £155,000 (debit £155,000); a £4.82m (£1.88m) share of extraordinary debits; and the £13.4m debit on the written down investment.

Comment
The market knew what it had coming to it from Johnson and Firth Brown and so these results, extraordinary as they looked with a nice increase in profits dwarfed by an enormous extraordinary write off, left the shares unchanged at 95p.

Profits, exactly in line with the forecast made at the time of the capital reduction last month, have been moving ahead at all of the subsidiaries in the group, and the steady improvement in trading profits is the resolution of the Sheffield Forgemasters problem, which had hitherto tumbled all profits made by the rest of the group into losses. The sale of Cannon-Muskegon, the US subsidiary, will have the effect of reducing post-tax profits by about £1m, rather less than the resulting interest saving. The shares have recovered sharply since the reconstruction, and should go further if the group can achieve continued progress in its slimmer, fitter form.

Increased BET bid wins the backing of Sparrow's board

BY MARTIN DICKSON

BET, the diversified services company, has increased the value of its takeover bid for G. W. Sparrow, the crane hire company, from £7.05m to £7.4m and won the backing of the company's board for the offer.

Directors of Sparrow and their close families have given irrevocable undertakings to accept the offer for their own shares, which total 28 per cent of the equity.

The trustees of family trusts holding 8.3 per cent are also expected to accept. These shares, together with previous acceptances would give BET 38.1 per cent of the company.

BET originally offered one of its shares for every five Sparrow shares. With BET closing last night at 387p, down 5p on the day, the values each Sparrow share at 71.4p.

It has now agreed to offer 21 of its shares for 100 Sparrow shares, valuing the latter at 74.9p each and the whole group at £7.4m.

The original offer had a cash alternative of 60p and this remains unchanged.

BET is also involved in a hostile takeover bid for SOBS, the scaffolding company, and had received acceptances covering 15.1 per cent of its share

capital by last Friday's first closing date.

Mr Nicholas Wills, chairman of BET, said of the Sparrow agreement: "The increase in our own share price narrowed the gap between the two sides and we have now avoided further bruising exchanges."

The offer for Sparrow was made only four days after it had announced a pre-tax loss for the six months to June of £27,000 (profit £22,000), due to the impact of reorganisation costs.

BET described the company as a weak one in an industry suffering from over-capacity. A series of management changes has failed to halt its decline and, meanwhile, its borrowings have risen to a very high level, it claimed.

Sparrow countered by claiming that the offer was cheap.

BET did not understand its business.

STONE INTERNATIONAL, industrial services group, has made its fourth acquisition in just over a year with the purchase of PLC Peters, a leading supplier of doors and floor operating systems for film cash. Peters has a turnover of £4m.

COMPANY NEWS IN BRIEF

PROPERTY HOLDING & Investment The UK financial group recently taken over by the Norwegian Nest Group, reports a pre-tax profit of £4.03m for the year ended July 31 1985, against £3.1m, from turnover of £12.51m (£11.26m). The year saw considerable expansion in all activities. Much time has been spent on reorganising the Group of unit trusts and their investment performance has already shown improvement. Company has acquired the Marlowe Sachs group, which brings to a small retail force with access to insurance and mortgage related products; and agreed to buy Finance for Housing for £250,000.

G. F. LOVELL, confectionery manufacturer, achieved profits in half year ended September 28 1985, of £4,000 (loss £3,000). No tax (credit £3,000) leaving earnings per share 0.33p (loss 0.66p). Move to new factory in Newport (Gwent) area is on course and will be completed by March. Company is a subsidiary of Kirby and West.

R. H. MORLEY Group, polythene film and bag manufacturer, raised turnover and profits before tax to £2.44m (£1.81m) and £80,172 (£72,450) respectively in the half year ended September 30 1985. With growing confidence of its customers the group is maintaining consistently high order levels and is making up for last year's loss ground. Its shares are traded on the USM.

BALTIC, the UK financial group recently taken over by the Norwegian Nest Group, reports a pre-tax profit of £4.03m for the year ended July 31 1985, against £3.1m, from turnover of £12.51m (£11.26m). The year saw considerable expansion in all activities. Much time has been spent on reorganising the Group of unit trusts and their investment performance has already shown improvement. Company has acquired the Marlowe Sachs group, which brings to a small retail force with access to insurance and mortgage related products; and agreed to buy Finance for Housing for £250,000.

CREST Nicholson says that its offer for G. W. Sparrow and Sons has become unconditional, having been accepted in respect of 83.4 per cent of the shares. Crest Nicholson has been admitted to the Official List. The offer remains open.

GRANTY SURFACE Coatings, supplier of oil finishes to new furniture, DIY and joinery trades, is coming to the USM via a placing by James Finlay Corporation. Last year Grantry acquired the industrial wood finish business of ICI and now claims to have about 30 per cent

of the wood finish market. It made pre-tax profits of £285,000 in the year to last February.

PRESTWICH HOLDINGS had started well in the current period and the board was very optimistic of a successful outcome for the full year. Members were told at the AGM. All divisions of the engineering products and optical goods group were trading successfully. Future growth was expected to be both organic and by acquisition and the board was looking at a number of opportunities.

TRIMCORP TRUST has purchased from Temple Bar Investment 350,000 shares in Alva Investment Trust. Mr R. W. Seabrook, managing director of Trimcorp Investment Management Services and deputy chairman of Trimcorp Trust and Mr T. P. Hildgarth, director of the former, will join the Alva board. The stake represents 20 per cent of Alva's capital and is intended as a long-term investment.

TRANSPORE, Development Australia, part of the UK-based Transport Development Group, increased pre-tax profits by 30 per cent in the year to September 30 1985, from £32,520 to £42,520 (£37,171). Turnover rose 26 per cent from £539,54m to £687,11m. Earnings per share rose to 20.7 cents (11c).

WATER, CO, textile manufacturer, reported first half to September 28 1985 profit up from £25,000 to £67,000, on turnover £20,06m (£16,22m). Dividend will be considered when full results available (0.25p paid for last year). Attributable profit £54,000 (loss £11,000) and earnings 3.22p (loss 0.13p). Subsidiary Joseph Boyle produced profit of £107,838 (£13,834) in half year on turnover £3.16m (£2.42m). Earnings 13.19p (14.2p).

FWS International, insurance and reinsurance broker, saw both turnover and profits fall in the six months to September 30 1985. Pre-tax, after commission, was £100,000 down at £581,000 on turnover of £3.78m against £5.22m. The interim dividend is held at 3p with earnings per share 18p. 3.4p to 8.5p after a lower tax charge of £206,000 (£448,000). The chairman says that as usual the majority of the profit will come in the second half, though he cannot make a forecast.

Autopistas del Atlantico Concesionaria Espanola S.A.

US \$115,000,000

Guaranteed Floating Rate Notes due 1993

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest has been fixed at 8 1/2 per cent per annum. The Coupon Amounts will be US\$49,242 in respect of the US\$10,000 denomination and US\$10,506.08 in respect of the US\$250,000 denomination and will be payable on 11th June, 1986, against surrender of Coupon No. 2.

Manufacturers Hanover Limited Agent Bank

NOTICE OF REDEMPTION

Pacific Gas and Electric Finance Co. N.V.
10% Guaranteed Debentures due 1989

NOTICE IS HEREBY GIVEN that Pacific Gas and Electric Finance Co. N.V. has elected to redeem all of its outstanding 10% Guaranteed Debentures due 1989 (the "Debentures") on January 15, 1986, the "Redemption Date" at the redemption price of 101 1/2% of their principal amount, plus accrued interest to the "Redemption Date".

On January 15, 1986 the Redemption Price will become due and payable to all Debenture holders, and interest thereon shall cease to accrue on and after said date. Coupons due January 15, 1986 or prior thereto will be paid in the usual manner.

All Debentures, together with all coupons appearing thereon maturing on or after January 15, 1986, are to be surrendered for payment of the Redemption Price at the Corporate Trust Office of Bankers Trust Company in the Borough of Manhattan, New York, or at the offices of any of the following:

1) Bankers Trust Company in London, 2) Bankers Trust Company in Paris, 3) Bankers Trust GmbH in Frankfurt/Main, 4) Bankers Trust A.G. in Zurich, 5) Bankers Trust S.A. in Brussels and 6) Banque Induscom Luxembourg in Luxembourg.

Pacific Gas and Electric Finance Co. N.V.
By: Bankers Trust Company as Trustee

December 9, 1985

DIVIDENDS ANNOUNCED

	Current payment	Date	Corresponding	Total	Total
			dividend	dividend	dividend
Walter Alexander & Co. Int.	2.5	—	2.25	—	4.75
Caffyns Int.	2.2	—	2.2	—	4.4
Dobson Park Int.	3.31	—	3.31	—	6.62
F. & C. Alliance Int.	0.88	Jan. 21	—	—	0.88
Hazlewood Foods Int.	4.0	—	5.5	—	9.5
Humble Holdings Int.	1.0	—	8.5	—	9.5
A. Freedy & Sons Int.	1.0	Feb. 10	—	—	1.0
Property Holdings Int.	1.03	—	0.89	—	1.92
Stock Conversion Int.	3.5	Jan. 27	—	—	3.5
Tiphook Int.	1.25	—	1.05	—	2.3
Vinten Int.	1.03	Mar. 27	—	—	1.03
West's Group Int.	2.5	—	—	—	2.5
Whitecroft Int.	2.5	Feb. 3	—	—	2.5
Windsor Securities Int.	0.1	—	0.75	0.65	1.4
Wolverhampton Brews.	5.7	Jan. 20	5.05	8.55	7.6

Dividends shown in pence per share except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock.

§ Unquoted stock. ¶ Granville stock.

1985 RESULTS

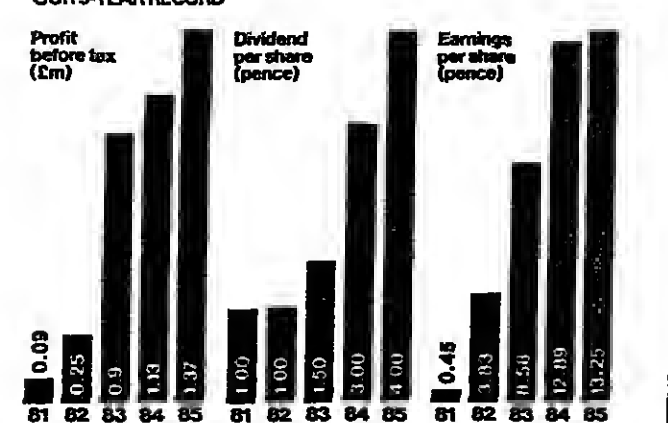
JESSUPS

MAIN DEALERS FOR VAUGHAN-OPPEL, BEDFORD AND FORD, VEHICLE LEASING AND RENTAL

Highlights from the 1985 Statement by the Chairman, Alan Jessup:

- Pretax profits up 21% to a new record
- All activities showed satisfactory performance
- Further progress anticipated in 1986

OUR 5-YEAR RECORD



A copy of the 1985 Report and Accounts is available from: The Secretary, Jessups p.l.c., London Road, Romford, Essex RM7 9QS

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8BP

Telephone 01-421 1212

Over-the-Counter Market

High	Low	Company	Price	Change	Div. (p)	Yld	Fully
							Actual
146	122	Ass. Brit. Ind. Ord.	120	—	7.5	8.1	7.4
151	120	Ass. Brit. Ind. CULS...	120	—	10.0	8.0	8.5
77	43	Airpump Group	63	—	6.4	10.2	10.5
46	12	Ambridge and Rhodes...	38	—	4.3	11.0	8.5
167	108	Cardon Hill	163	—	4.0	2.5	20.8
24	42	City Technologies	53	—	2.8	7.4	8.5
291	142	CLC Holdings	142	—	12.0	3.5	3.3
152	102	CCL 11pc Conv. Pl.	102	—	15.7	15.4	—
130	102	Carborundum Ind.	117	—	4.9	4.2	6.0
94	85	Carborundum 7.5p Pl.	94	—	10.7	11.4	—
73	48	Dabovesh Services	58	—	7.0	12.1	6.0
82	21	Frederick Perker	31	—	—	—	—
83	33	George Blair	71	—	—	2.9	5.3
50	20	Ind. Precision Castings	50	—	3.0	8.0	13.2
129	17	Isis Group	17	—	15.0	1.8	13.2
124	191	Jackson Group	110	—	5.5	8.0	7.4
285	213	James Burrage	276	—	15.0	8.8	8.7
85	81	James Burrage 50c Pl	75	—	12.9	13.8	—
95	71	John Howard and Co.	75	—	5.0	8.8	6.0
101	101	Lingwood Holdings	101	—	8.8	7.2	8.3
100	50	Lingwood 10.8p Pl.	90	—	15.0	16.7	—
650	300	Minhouse Holdings NV	575	—	8.9	1.2	25.1
120	31	Robert Jenkins	70	—	—	9.0	20.0
60	28	Scrutons "A"	31	—	—	—	7.8
32	81	Torday and Carlisle	37	—	5.0	7.5	3.1
44	20	Trevan Holdings	30	—	4.3	1.3	18.8
42	17	Unilock Holdings	41	—	2.1	5.1	11.1
122	81	Walter Alexander	120	—	8.8	7.2	8.3
247	125	W. S. Yates	200	—	17.4	4.7	5.7

s = Suspended.



First Atlanta Corporation

Atlanta, Georgia

and

Wachovia Corporation

Winston-Salem, North Carolina

have combined to form

First Wachovia Corporation

The undersigned, in its capacity as financial advisor to First Atlanta Corporation, assisted in the negotiations leading to the consummation of this transaction.

KEEFE, BRUYETTE & WOODS, INC.

The Banking Industry Specialists

NEW YORK

HARTFORD

SAN FRANCISCO

LONDON

December 5, 1985

Bass

Public Limited Company

Preliminary Results

For the year ended 30th September 1985

	52 weeks to 30.9.85	53 weeks to 30.9.84
	£ millions	£ millions
Turnover		
Brewing, drinks and pub retailing	1,769.6	1,681.0
Leisure	641.2	571.3
Costs and overheads, less other income	2,410.8	2,252.3
Trading profit	2,142.4	2,017.0
Analysed:		
Brewing, drinks and pub retailing		
— operations	214.2	189.3
— surplus on disposal of fixed assets	10.9	10.0
Leisure		
— operations	45.4	35.7
— loss on disposal of fixed assets	(2.1)	0.3
Cost of Borrowing	268.4	235.3
Profit on ordinary activities before taxation	13.3	16.9
United Kingdom tax, including charge for deferred taxation of £0.5m	255.1	218.4
(credit £1.0m) (Note 1)	87.4	73.4
Overseas tax	2.9	1.3
Profit on ordinary activities after taxation for the financial year	164.8	143.7
Attributable to outside shareholders	0.2	0.9
Extraordinary charge for deferred taxation	—	9.2
Preference dividend paid	0.3	0.3
Earnings available for ordinary shareholders	164.3	133.3
Proposed final dividend on Ordinary shares of 11.0p (9.6p) with an interim dividend paid of 3.7p per share (3.3p), making a total of 14.7p per share (12.9p)	48.0	41.9
Retained for re-investment in the business	116.3	91.4

NOTES:

- The charge for United Kingdom tax has been calculated on taxable profits at 42.5% (47.5%) and has been reduced by £2.7m (£3.2m) in respect of prior years.
- The earnings per Ordinary share are 50.4p (44.0p).
- The above statement does not set out the full Group accounts of Bass p.l.c. and its subsidiaries, which as regards 1984 have been delivered to the Registrar of Companies and as regards 1985 will be so delivered after the Annual General Meeting of the Company on 23rd January 1986.
- The auditors have made an unqualified report under Section 236 of the Companies Act 1985 in respect of the full Group accounts for both years referred to in the above statement.

Comments by the Chairman, Mr. Derek Palmer

I am pleased to report a good result for the 52 weeks to 30th September 1985 with a 16.8% increase in profit before taxation. This uplift was affected by two main factors; last year's result included a 53rd week and this year the result suffered from a strike in the Runcorn Brewery.

The earlier beer volume gains reported at the interim stage were not maintained, as a result of the Runcorn dispute. Nevertheless, we completed the year with beer volumes only marginally down. The decline was less than that experienced by the industry as a whole.

The increase in Leisure profits over the previous year of 20% was most pleasing. Crest Hotels had an outstanding year but the holiday business suffered from intense competition in a difficult year for that industry.

The Company spent £235.6m on fixed capital in the year — a considerable increase on the previous year. Our confidence in the main business areas in which the Company is operating is reinforced by the allocation of £297.5m of capital in the current year.

Trading in the current year to 30th September 1986 has exceeded that for the same period of the previous year and the outlook is good.

To obtain a copy of the Bass Annual Review 1985, please complete this coupon and send it to: The Secretary, Bass p.l.c., 30 Portland Place, London W1N 3DP.

Name _____

Address _____

BRITISH STEEL- FIRST HALF-YEAR PROFIT SINCE 1974

The Chairman of British Steel Corporation, Sir Robert Haslam, reports that the Corporation made a profit of £21 million in the six months to September 28, 1985, after interest but before taxation and exceptional items, which were not significant at the half-year. This is an important milestone in the recovery of BSC — the first half-year profit since 1974.

British Steel Corporation UNAUDITED CONSOLIDATED RESULTS

Half-year to 29/9/84	Full year to 30/3/85	Half-year to 28/9/85
£m	£m	£m
1579	3453	1725
(68)	(70)	46
(28)	(70)	(25)
(96)	(140)	21

Exceptional costs, which were not significant in the half-year ended September 28, 1985 (half-year to September 29, 1984: £147m, making a total loss of £243m) will be taken up in the accounts for the full financial year.

The comparative results for the half-year to September 29, 1984 and for the full year to March 30, 1985 include costs of the NUM strike, estimated at £95 million and £180 million respectively.

Other key points from Sir Robert's statement:

- Good plant performance was achieved in a reasonably stable market.
- There were signs of import pressure towards the end of the period, exacerbated by the strength of the pound against the Deutschmark.
- An abnormal number of major plant developments will be another dominant factor in the next few months which will cause a short-term pause in British Steel's progress towards its next milestone of financial self-sufficiency.
- A greater degree of orderliness and stability in the European steel market is important to BSC's future success.
- Subject to these concerns, British Steel faces the future with a confidence based on the firm foundation of its achievements in recent years.

British Steel Corporation

UK COMPANY NEWS

Vinten's prospects point to resumption of growth

ALTHOUGH redundancy costs depressed pre-tax profits of the Vinten Group at the six months stage the shares should be more than recovered during the second half through overhead savings. And an increased dividend for the year is forecast.

Turnover for the first half, to September 30, 1985, pushed ahead from £12.3m to £14.2m and generated trading profits of £1.07m, compared with £822,000 in the first half of 1984. The group is principally engaged in the design, manufacture and sale of aerial reconnaissance and other camera systems and associated ground equipment.

Redundancies accounted for £243,000 and interest charges for £150,000 to leave pre-tax profits £277,000 lower at £822,000. The comparable figures took £304,000 from property disposals and £13,000 from interest received.

The net interim dividend is being held at 1.05p but the directors say they expect to recommend an increase in the final—last year's payments was 2.1p.

They say the first half results were in line with expectations and point out that the 15 per cent increase in sales would have been greater but for the slow start in the military and broadcast systems division.

With the main problem areas now under control, excellent prospects in electro-optics likely to provide the basis for a much larger division, an improved outlook in the defence and aerospace markets and good growth expected in instrument markets, they are encouraged to believe that the group can achieve results in 1986-87 which will show a resumption of earnings growth able to be continued.

Pre-tax profits for 1984-85 fell to £2.48m (£3.16m).

The group has now received a production contract in excess of £2m for the wide-band video recorder incorporated in the Tornado aircraft reconnaissance system.

Furthermore, the directors expect finalisation early next year of a long-term military export contract for reconnaissance and electronic counter measures equipment worth more than £5m.

comment

Vinten's pre-tax profits remain depressed after exceptional costs but the more important numbers were to be found at the trading line and there a

Chrysalis buys music exporter.

Chrysalis Group, the records and leisure company which came to the market last July, is to acquire a controlling stake in Lago Export, a private wholesale exporter of recorded music and videos.

For an initial consideration of £1.7m, Chrysalis will get 75 per cent of the company from Mr Peter Lassman and Mr Mark Ballaban, currently Lago directors. They will continue to manage the business. The sum will be satisfied through the allotment of 352,500 Chrysalis shares at a price of 20p each, with the balance in cash.

Any further consideration will be calculated via a formula based on Lago profits over the 1985 and 1986 years, and will be paid in cash and shares. The purchasers also have options to acquire the balance of the capital.

For the year to October 31 1985, Lago profits are estimated at more than £0.5m. At the same date a year earlier, net tangible assets were £145,458.

Problems in Malaysia and UK hold back West's

PROFITS, before tax, have improved at West's, Group Engineering, while at United Kingdom Construction and Engineering there are real signs of an improvement in the workload.

Earnings per share are shown to be doubled at 3p although the interim dividend is unchanged at 2.5p—last year's final payment was 5p from pre-tax profits totalling £914,000 (£893,000).

Operating profits amounted to £410,000, against £354,000 and were split between contracting (£250,000) and engineering (£160,000), and manufacturing (£31,000).

Tax charges took £43,000 (£32,000) the attributable balance came through at £134,000 (£88,000) after extraordinary debits of £107,000 compared with £191,000.

The extraordinary items include the costs associated with the investigation of a major acquisition which was discontinued, by the company, at an advanced stage of negotiation, and an additional provision against higher than anticipated costs associated with the withdrawal from Australia.

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Acquisition costs hit Preedy

Alfred Preedy & Sons, wholesaler and retailer of confectionery, tobacco and newspapers, made an operating profit of £71,000 in the six months to September 28, 1985, compared with a £60,000 loss previously.

However, increased interest charges of £242,000 (£295,000), as forecast in the annual statement, resulted in a pre-tax loss of £233,000 (£188,000).

The company says it is now expected to be in the second half.

Retail trade was subdued, it says, and profits earned by its established branches were little changed, however, wholesale profits benefited from the contribution from the Cheltenham branch purchased last December.

Preedy is withdrawing from its printing and school construction division after another loss.

F. C. Thacker was sold on November 29 and the two other divisions are to be either sold or closed by next March.

Termination costs have been added to a £51,000 extraordinary item and the company expects further losses in the second half which it says will be treated similarly.

Mr C. R. Preedy has been appointed managing director and Mr S. M. Lander succeeds as finance director. Mr G. J. Sumner retires next year.

The chairman once again stresses that the seasonality of the business makes it difficult to forecast the outcome for the year. Consequently the interim dividend is being held at 1p. The company made a profit of £1.02m before tax last year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Other indications are not available as to whether the dividends are interim or final and the sub-divisions shown are based mainly on last year's timetable.

Company	Date
Admiral	Dec 10
Admiral (John)	Dec 12
Admiral (John) Fund	Dec 17
Admiral (John) Fund	Dec 17
Admiral (John) Fund	Dec 17
Admiral (John) Fund	Dec 17
Admiral (John) Fund	Dec 17
Admiral (John) Fund	Dec 17
Admiral (John) Fund	Dec 17
Admiral (John) Fund	Dec 17
Admiral (John) Fund	Dec 17

Ireland

£100,000,000
Floating Rate Notes
1996

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three months period 6th December, 1985 to 6th March, 1986 has been fixed at 11 1/4 per cent per annum. Coupon No. 5 will therefore be payable at £145,625 per coupon from 6th March 1986.

Samuel Montagu & Co Limited
Agent Bank

International Investment Trust Company of Jersey Limited

(Registered in Jersey No. 1212)

Rights Issue of 145,000 units at £12 per unit

1,740,000 13 per cent cumulative redeemable preference shares of £1 each ("preference shares") and 145,000 warrants are being offered for subscription to shareholders on the register at the close of business on 8th December, 1985 in units of twelve preference shares and one warrant for every 10 ordinary shares of £1 each then held.

Copies of the listing particulars published in connection with the rights issue and containing details of the preference shares and of the warrants are available in the Extra-Statistical Services. Copies of the listing particulars may also be obtained during normal business hours today and tomorrow from the Company's Announcements Office of The Stock Exchange and on any weekday (Saturdays and public holidays excepted) up to and including 3rd January, 1986, from International Investment Trust Company of Jersey Limited, Royal Trust House, Colombe, St. Helier, Jersey, Channel Islands.

N M Rothchild & Sons Limited, New Court, St. Swithin's Lane, London EC4P 4DU.

10th December, 1985

Ijubljanska banka

US\$25,000,000 Floating Rate Notes due June 1987

In accordance with the conditions of the Notes notice is hereby given that for the six-month period 9th December 1985 to 9th June 1986 (182 days), the Notes will carry an interest rate of 9 1/4 per cent.

Relevant interest payments will be as follows:
Notes of \$5,000 U.S.\$230.66

CREDIT LYONNAIS
Luxembourg
Fiscal Bank
CREDIT LYONNAIS
London
Agent Bank

WHITECROFT INTERIM REPORT

	1985 £	1984 £
Pre-tax profit	2.74m	3.76m
Earnings per share	7.1p	9.6p
Dividends	2.5p	2.3p

Profit was lower mainly due to the timing of major completions in the property development division which this year will fall in the second half, whereas last year they occurred in the first six months. In addition, turnover and profit from building supplies were reduced, due to the continuing depressed level of activity in the construction industry.

Textile division sales were ahead of the previous year, and profit increased by 8%.

The property development division added a number of projects to its programme, including three new office developments located close to London's M25 motorway. The division is expected to show an increased profit for the full year.

The lighting companies continue to invest in the development of new products. Moorlite Electrical, the largest operation in the division, increased both sales and profit compared with the same period last year.

We have acquired the business of ECS Energy Conservation Systems Ltd. for a total investment of £1.22 million. ECS is the UK market leader in computer and electronically based energy management systems for lighting control.

The continuation of our progressive increase in dividend payments reflects our confidence in the second half results and in the longer term growth and development of the group.

T. Weatherly
Chairman
Textiles, building supplies, lighting, property development

Company Notices

Bond Trust of the World

(Mutual Fund organized under the laws of the Grand Duchy of Luxembourg)

NOTICE OF DIVIDEND ON TYPE "A" SHARES

Pursuant to article 17 of the management regulations of the fund, the board of directors of World Bond Trust Management Company decided to distribute, for the fiscal year ended on September 30, 1985 a dividend to be paid out of the net distributable income (which comprises the net investment income of the fund and the net investment income generated on the net issues and repurchases of fund shares during the accounting year of the fund) and of the net realized capital gains of the fund.

This dividend was fixed at US \$ 1.40 per share and will be paid on and after December 9, 1985, to holders of type "A" shares of the fund issued and outstanding as of noon (Luxembourg time) on December 4, 1985, which constitutes ex-dividend date.

This dividend will be paid:

1. to holders of type "A" shares in registered form and to holders of confirmations of type "A" shares not physically created through the principal paying agent by transfer or cheque pursuant to the instructions given to him by holders of such confirmations or confirmations, and
2. to holders of type "A" shares to bearer, against coupon No. 4

The following banks at the offices indicated will not act as paying agents for the type "A" shares of Bond Trust of the World:

In the Grand Duchy of Luxembourg:
Société Générale Alsacienne de Banque,
15, avenue Emile Reuter, Luxembourg
In France: Société Générale,
29, boulevard Haussmann, F-75009 Paris
THE PRINCIPAL PAYING AGENT
SOCIÉTÉ GÉNÉRALE ALSACIENNE
DE BANQUE
Luxembourg Branch



RAND MINES GROUP

(All companies are incorporated in the Republic of South Africa)

DIVIDEND DECLARATIONS

The following dividends have been declared in South African currency, payable to members whose names appear in the register of members of each of the companies concerned at the close of business on 27 December, 1985 and to persons presenting the appropriate evidence of ownership of shares in the companies concerned. The dividends on shares to bearer will be paid in terms of a further notice to be published by the London Office of the companies on 3 January, 1986.

Dividend payments will be made on or about 27 January, 1986. The full dividend consists of the dividend on shares plus interest on the dividend to be paid on the date of payment of the dividend. The dividend on shares plus interest on the dividend to be paid on the date of payment of the dividend. The dividend on shares plus interest on the dividend to be paid on the date of payment of the dividend.

Name of Company	Dividend No.	Coupon No.	Amount per Share (C.S.A. Cent)
Anglo American Corporation Limited	(Interim) 80	—	100
De Beers Group of Companies Limited	(Final) 117	117	100

The Board of Directors has decided not to declare a dividend for the year ending 31 December 1985.

BY ORDER OF THE BOARD OF DIRECTORS
V. M. MURTON
Secretary to the Board of Directors
Anglo American Corporation Limited
20, Victoria Road, Johannesburg 2001
South Africa

Art Galleries

LEGER, 13, Old Bond St. ANNUAL WATERCOLOUR EXHIBITION. Mon. to Fri. 10.30-5.30. 01-433 1958.
RICHARD GREEN, 26, Dover Street, W1. 15-451 3053. CHRISTMAS EXHIBITION OF PAINTINGS UNDER 25,000. Daily 10-6. 15-12-30.
BROWNE & DAREY, 18, Cork Street, London, W1. 01-734 7084. LINDY GUINNESS, New Paintings.

Christmas Gifts

Gifts that are truly yours could be yours for the chance of a fortune. Join your Post Office now. Receive a new range of attractive designs. So easy to send so good to get.

CONSEJO FEDERAL DE ELECTRICIDAD (C.F.E.)

8% 1972/1987 US\$20,000,000

On November 26, 1985, Bonds for the amount of US\$14,500,000 have been placed for sale by the C.F.E. in the presence of a Notary Public.

The bonds are to be redeemed on the 26th day of February, 1987, at the rate of 100% of the principal plus interest.

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Public Notices

MONOPOLY AND MERGERS COMMISSION

INVESTIGATION INTO THE MERGERS OF THE BRITISH STEEL CORPORATION

On 23 November 1985 the Secretary of State for Trade and Industry, the Monopolies and Mergers Commission, has received information from the British Steel Corporation that it is proposing to acquire the assets of the British Steel Corporation.

A copy of the full terms of reference to the Commission is available to the public on request. The Commission is currently conducting an investigation into the proposed acquisition of the assets of the British Steel Corporation by the British Steel Corporation.

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Whitecroft setback but looks to second half

dividend of 5.4p was paid. Turnover came to £48.67m (£51.28m) and the profit before interest to £2.85m (£4.18m). Textiles accounted for £12.16m (£11.23m) and £1.16m (£1.08m), building supplies £23.35m (£24.86m) and £801,000 (£1.42m), lighting £11.7m (£11.6m) and £974,000 (£1.06m), property development 1.48m (£3.56m) and £311,000 (£1m), and parent copm anissey company loss £403,000 (£383,000).

comment

bearing in mind how well White-

added before long. Beyond that the new chairman is well aware that he needs to capture something of size—perhaps overseas—Whitecroft is to shed its dull mini-conglomerate image. At 1985p the prospective p/e is not far off the historic 9.5 which is unexpensive if Mr Weatherby is about to inject some pace and, probably rightly, excludes any premium for an opportunistic bid—although in this market anything can be a target.

They strike the company had to accept orders at short notice or such work as it could obtain in order to keep manufacturing capacity occupied. However that was in a buyers' market and was shaken on relatively onerous terms.

They warn that with continuing cuts in the coal industry they do not expect demand to return to previous levels.

In last year's annual report

21 24 45 53 58 60 100 140 161 189

Payment of the Notes to be redeemed will be made on or after 9th January, 1986, upon presentation and surrender of the said Notes, with all coupons appertaining thereto, at the office of the Paying Agents mentioned thereon. After 9th January, 1986, US\$67,050,000 principal amount of Notes will remain outstanding.

THE COSTS of developing the Seicant SSI sports car were much higher than Reliant Motor anticipated and the 1986 model year car was sold for £549,000 into the red at the pre-tax level.

Group policy is to charge all development and marketing expenditure against the product after running up a first half loss of £598,000; a further £231,000 was incurred in the second half of September 30. Profit of £366,000

were earned over the previous year.

This car also took longer to produce than was envisaged a year ago. Engineering and production tooling costs exceeded budget and the directors warn that market prices are higher than originally estimated.

They say that it now seems inevitable that everything is going to be done to ensure the binding the original schedule and

However, the new sports car is on the road and has met with "great success."

For the past year group turnover improved from £13.61m to £14.22m but at the operating level there was a loss of £304,000, compared with a previous profit of £217,000.

The company has, as a result, not been able to obtain a follow-on order. The directors say that, reluctantly, they have decided to rationalise manufacturing capacity even though substantial costs are involved.

8391	8404	8437	8468	8498
8503	8505	8534	8540	8577
8630	8631	8645	8654	8661
8739	8740	8757	8760	8787
8856	8859	8880	8883	8897
9018	9036	9040	9041	9043
9171	9174	9176	9167	9186
9321	9325	9353	9357	9362
9521	9560	9561	9560	9562
9649	9650	9671	9674	9680
9746	9764	9765	9820	9840

8463	8469	8477	8478	8489
8581	8586	8589	8604	8627
8677	8700	8711	8723	8733
8805	8829	8842	8849	8855
8898	8948	8958	8997	8999
9054	9061	9066	9101	9117
9191	9199	9207	9234	9236
9371	9375	9394	9498	9512
9617	9636	9638	9646	9646
9697	9703	9706	9714	9730
9854	9886	9911	9937	9945

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January, 1986, US\$67,050,000
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ational Limited

Being at the heart of the national motorway and rail network gives Birmingham businessmen two big advantages. They can get in fast. And they can get out without stress. So they can live in some of England's most green and pleasant countryside without having to face an expensive and frustrating journey to the office every day.

And the office accommodation doesn't cost the earth, either. You can get into anything from basic city-centre high rise shells, to superbly equipped low-rise prestige suites in the leafier thoroughfares of Edgbaston's growing commercial sector, at prices that Londoners pay in parking fines.

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Jump in your car or on to one of the half-hourly inter-city trains and see just how accessible Birmingham is. Or, for an even quicker run-down, pick up the phone.

City of Birmingham Economic Development Unit, Congreve House, 3 Congreve Passage, Birmingham B3 3DQ

say that following the rationalization it should be possible to have a worthwhile continuing business. On the basis of the reduced capacity the company has a satisfactory workload in the present year, they add.

S



Spear & Jackson Inc.

International PLC

100

however, declined from £554,000 to £255,000 after deducting interest of £811,000 (£548,000) and branch rationalisation costs of £28,000, compared with a previous credit of £388,000.

With
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igger

Munich, December, 1985

The convertible issues will be made available to the shareholders at 100% of face value, at a

**Bayerische Hypotheken- und Wechsel-Bank
Aktiengesellschaft
The Board of Managing Directors**

The revenue increase mainly reflected good dividend rises in the company's UK and US portfolios, but the board warns that the rate of growth in the second half will be slower.

† Measured by reference to sales.
This advertisement is published by
for the information contained in (the
case) the information contained is

Spear & Jackson International PLC ("Spear & Jackson") has prepared this advertisement. To the best of their knowledge and belief, the information in this advertisement is in accordance with the facts.

ackson"). The Directors of Spear & Jackson are not negligent and believe (having taken all reasonable care to do so) that the Directors of Spear & Jackson accept responsibility for the above.

the persons responsible ensure that such is the responsibility accordingly.

LONDON AND NORTHERN GROUP PLC
Essex Hall, Essex Street, London WC2R 3JD Tel: 01-836 9261

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UK COMPANY NEWS

Coastal Resort

Hotels
PLC
(Company No 1959983)

Offer for Subscription
under the

Business Expansion Scheme

up to 1,230,000 Ordinary Shares of £1 each at 125p
per share payable in full on application.

The business

Coastal Resort Hotels PLC has been established to operate a small group of 3-star hotels on the South Coast of England servicing both the commercial and leisure markets. The Company has the right to acquire the freehold of Cooden Beach Hotel in Sussex and freehold land in Ramsgate where full planning permission for the construction of the 60 bedroom Marina Resort Hotel has been obtained.

The management

The Company will manage Resort Hotels Limited which owns and manages the Norfolk Resort Hotel and Preston Resort Hotel in Brighton and which will subscribe for 25 per cent. of the share capital of the Company at the same price as other subscribers and will enter into agreements to manage both hotels.

The merits of the investment

- Good asset backing
- Experienced management
- No charges or options to sponsors
- Genuine business in important service industry
- BES tax relief in respect of year ending 31st April 1986.

Subscription

The subscription list will be closed at 3.00 pm on 17th December, 1985 unless extended prior to that date.

This advertisement does not constitute an offer or invitation to subscribe for or purchase securities. Applications for shares will only be accepted on the terms of the prospectus in which full details of the Company and the Offer for Subscription are contained and on completion of the application form attached thereto.

Telephone the 24 hours answering service 0273 729552 to secure a copy of the prospectus urgently or return the form below.

To: Coastal Resort Hotels PLC, 149 Kings Road, Brighton BN1 2TP

Please send me a copy of the Coastal Resort Hotels PLC prospectus URGENTLY.

Name _____

Address _____

Tiphook
expansion
as profits
grow 53%

IN ITS first results since coming to the Stock Exchange in July, Tiphook, the largest container rental company in the UK has raised pre-tax profits by 53 per cent in the six months to October 31 1985 from £867,000 to £1,326,000. This is on turnover up 89 per cent from £5.36m to £10.1m.

The board says the company's strong growth has continued. Comparative figures for the half year do not take into account the results of Adamson Containers which was acquired from the receivers in November 1984.

An interim dividend of 1.25p is being paid on earnings per share up to 4.5p.

The company believes that both the container and trailer rental markets are set for long term growth. Consequently, it has increased its container fleet by 28 per cent in the six months from 20,000 to 25,700 20 foot equivalent units. The trailer fleet has increased by 14 per cent from 1,600 to 1,820 units. The client base of both areas has been expanded and high utilisation rates have been maintained.

Tiphook's board says all divisions are performing well and the company is on target for another successful year. Grantplan Containers acquired in October, a rental company which operates in the offshore gas and oil sector, is expected to complement the manufacturing activities of Adamson Containers which include metal containers for the sector.

Mr Kenneth Dick of N. M. Rothschild & Sons has been appointed an adviser to the company and is to become a non-executive director next year.

It was also announced yesterday that Barclays Bank has placed its holding of 1.86m ordinary shares in Tiphook (13.31 per cent) with institutional investors.

comment

Tiphook has started again on a fresh sheet of paper, leaving the assets per share debacle firmly behind it. Two good pieces of news emerged yesterday: it produced a most encouraging first set of results, and Barclays has disposed of its share stake, reassuring those worried about the effect of it overhanging the market. All sides of Tiphook's business are going well: it is securing an increasing share of the expanding container rental market by concentrating on service. The trailer rental division has benefited from the movement away from hiring to hiring trailers caused by the removal of capital allowances, while on the container manufacturing side, Adamson, acquired last year, has already been turned around. With 40 per cent of profits typically falling into the first half, the total for the year should be about £2.5m, implying a modest 9% of 9% with the shares at yesterday's price of 180p (15 per cent tax).

LYSANDER Petroleum turnover amounted to £15,648 and losses incurred were £96,208 pre-tax. Loss per share is given as 0.5p for this USM oil and gas company.

W'hampton Breweries margins rise

REFLECTING an improvement in net margins from 14 per cent to 14.5 per cent, the pre-tax profit of Wolverhampton and Dudley Breweries has advanced from £13.52m to £15.43m in the year ended September 30 1985.

The dividend is lifted from 7.8p to 8.55p with a final of 5.7p. Mr E. J. Thompson, chairman, says that site acquisition, development of the existing pubs and a strengthening of brands point to better margins and higher volumes. The group can see expansion within its existing overhead framework.

Turnover in the year rose 10 per cent to £103.52m while the operating profit moved ahead 18.9 per cent to £18.91m. However, much higher interest charges of £1.48m (£380,000) restricted the pre-tax profit growth to 14.1 per cent.

The chairman says the national lager market was characterised by a poor summer which slowed sales growth. By contrast, the new arrangements with Harp Lager are working well. Bank's Mild Ale achieved overall volume growth. The new bitter, Hanson's Black Country, was launched in October.

The group's pubs continue to increase their share of the retail trade, and wine sales showed dramatic growth. In the year 17 pubs were opened; since then a further three have come into operation and it is planned to complete another 10 before the end of next September.

On the hotels side eight long term sites are being developed as three-star operations, and will trade under the Crown and Raven Hotels banner.

After tax £6.6m (£5.78m) the year's net profit came to £5.77m (£5.77m) for earnings of 27.2p (£23.9p) per share. Extraordinary credits total £881,000 (£1m).

comment

The fact that Wolverhampton & Dudley has bucked the national trend in putting on ale volumes against a declining national market suggests that either the beer or its brewer is something out of the ordinary. Probably both: the beer speaks for itself, while the company has achieved profits well up on forecasts through a combination of vigorous expansion and a marked improvement in margins. This scope for further growth looks far from exhausted. The company has spread itself far and wide along the motorways radiating from the West Midlands and there is room for further expansion for many years to come, and the newer customers are prepared to pay considerably more for their pint than the 5p which typically changes hands in a Black Country public bar. For the current year a repeat of last year's 14 per cent profits growth to £17.8m is in prospect on a reducing tax charge of 35 per cent. This has the share, up to £175p, looking cheap on a prospective p/e ratio of 11.

Walter Alexander, the Falkirk-based coachbuilder, raised pre-tax profits by 11 per cent from £1.5m to £1.67m in the six months to September 30 1985.

Turnover was 29 per cent higher at £30.64m, against £23.97m. Profits included reduced gains of £800,000 (£722,000) on the sales of listed and unlisted investments. Before crediting these profits showed a 38 per cent improvement.

comment

Mr Ronald Alexander, the chairman, forecasts further growth in sales and profits for the second half. With the coachbuilding division's order book busy supplying Hong Kong, Singapore and British Rail, he views the group's future with considerable optimism.

Stated earnings per share rose from 7p to 7.8p and the net interim dividend is increased from 2.25p to 2.5p—last year a total of 6p was paid on £3.37m pre-tax profits.

The company's shares are traded on the market made by Granville & Co. A decision to apply for a full listing has been delayed, while the group completes a rationalisation and

development programme. The group's coachbuilding division, which made a loss last year, is firmly back in profit, the chairman states. Its export business of double deck bus bodies for the six months amounted to £3.8m.

Mr Alexander says Domnick Hunter Filters had an outstanding six months helped by excellent market penetration of its new process filters and an absorption compressed air dryer range. The recent strength of sterling against foreign currencies restricted Hunter's profits because of its high percentage of export business; the filtration division would otherwise have had a record period, he adds.

An acquisition towards the end of last year in north east England is expected to add more than £5m to the fuel distribution division turnover for the full year. The open summer weather gave an increase in fuel oil sales.

Group attributable profits came out at £1m, against £710,000, after tax of £604,000 (£511,000), minorities of £55,000 (£90,000) and an extraordinary charge last time of £190,000. The interim dividend absorbs £325,000 (£287,000).

W. Alexander ahead 11% and further growth seen

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This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

Application has been made to the Council of The Stock Exchange for the grant of permission for the whole of the issued share capital of Jacques Vert PLC to be dealt in on the Unlisted Securities Market. A proportion of the shares being placed may be available to the public through the market during market hours today. It is emphasised that no application has been made for these securities to be admitted to official listing.

Jacques Vert PLC

JACQUES VERT

(Incorporated in England under the Companies Acts 1948 to 1987)

Number 1075752

PLACING

by
SIMON & COATES

2,253,320 Ordinary Shares of 10p each at 120p per share

SHARE CAPITAL

Authorised £	Issued and to be issued fully paid £
1,300,000	912,000
in ordinary shares of 10p each	

The Company designs and manufactures co-ordinated ranges of women's fashion-wear marketed under the Jacques Vert label. Particulars relating to the Company are available in the Extel Statistical Services and copies of the Prospectus may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including the 30th December 1985 from:

SIMON & COATES

1 London Wall Buildings, London EC2M 5PT

THE WOLVERHAMPTON & DUDLEY BREWERIES



TRADITIONAL DRAUGHT BEERS

- Ale and lager volumes up: two new products launched.
- Seventeen new pubs opened.
- Balance sheet stronger.

Copies of the Report and Accounts will be available from The Secretary, The Wolverhampton & Dudley Breweries, PLC, Park Brewery, Wolverhampton WV1 4NY

EXPANSION STRATEGY
BEARING FRUIT

Highlights of the year:

- Record pre-tax profit of £15.4m - up 14%.
- Total dividend of 8.55p - up 13%.
- Earnings per share of 27.2p - up 14%.
- Further improvement in margins.

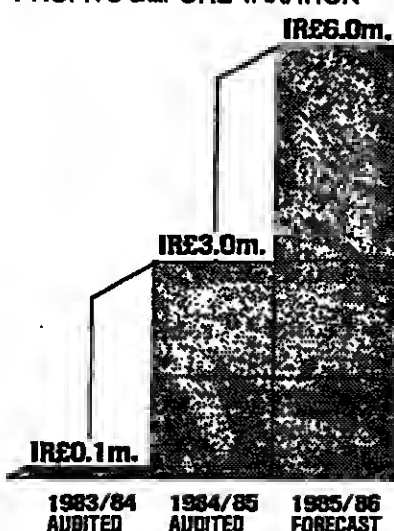
Actions speak louder...

Abbey operations
in South East England

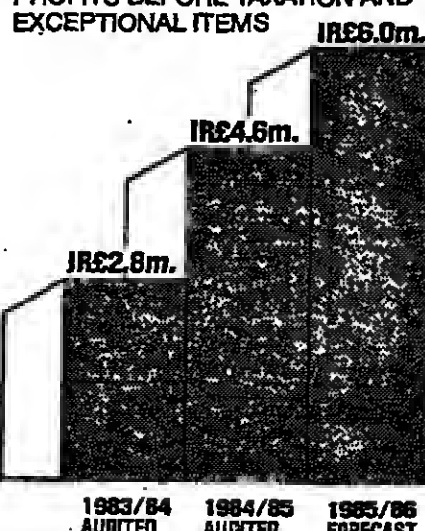
Profit Record

since Mr. Charles Gallagher became Chairman in October 1983

PROFITS BEFORE TAXATION



PROFITS BEFORE TAXATION AND EXCEPTIONAL ITEMS



Source: Abbey's audited accounts for the years ended 30th April 1984 and 1985 and the profit forecast published on the 24th October 1985.

Forecast Earnings per Share for the year ending 30th April 1986 - IR12.8p

U.K. HOUSE SALES



The figures represent numbers of private house sales in Abbey's financial years ending 30th April. Forecast and target figures are, respectively, the house sales included in Abbey's forecast for the year ending 30th April 1986, and the Company's planned construction and sales programme for the year ending 30th April 1987.

Grow with Abbey

Abbey
p.l.c.

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Food	164.3	67.3d	...
Fruit	127.7	69.4	-0.1

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Save & Prosper International S.G. Warburg & Co. Ltd. and sub

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OPTIONS

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COMMODITIES AND AGRICULTURE

EEC considers proposals to reform beef support

BY IVO DAWNAY IN BRUSSELS

RADICAL PLANS to dismantle the EEC's price support system for beef farmers and replace it with direct headage payments are revealed in a document under discussion by senior farm managers in the European Commission.

The proposals aim to abolish by the end of November 1987 all guaranteed price supports for beef sales to community stores in favour of the yearly payment of Ecu 20 (£12) for each animal. This will be limited to 50 animals in each farmer's herd, taking away the incentive to expand the Community's livestock holding.

National governments would be allowed to supplement this community payment under the scheme, with a further Ecu 23 subsidy from their own treasuries. The grants would also be available to dairy cattle.

Officials have also calculated allowances into the proposal for a continuation of the grants that cover the cost of storage in

November or December next, and the gradual dismantling of the guaranteed buying system to be completed by November 1987.

At the same time efforts will be stepped up to sell off the 800,000 tonnes in stock in order to empty community stores by that date. So large are the quantities in store that the EEC has been forced to hire cold stores in Switzerland and Austria, to house it all.

The plan aims however to keep up the traditional subsidies and private storage aids.

The radicalism of the plan is a clear indication of the desperation with which the Commission views the mounting beef surplus. Details of the proposals are thought likely to be published later this month as part of the findings of the six month audit of the Common Agricultural Policy (CAP) reform lodged this summer.

Many member states may be strongly opposed to the proposal, but the built-in support for smaller farmers and the introduction of greater play for the market forces within the EEC's internal beef market, may win it some backing.

Speculation was mounting in Brussels yesterday that a Franco-Swiss consortium is ready to buy the entire EEC stock of boned beef for a major sale to Eastern Europe and the Soviet Union.

The tonnage involved could account for about a quarter of the Community's 800,000 tonnes beef mountain. Unconfirmed reports say that Secogeet of Geneva is heading the deal and has already discussed details with market managers in Brussels.

Special measures to reduce beef stocks through price cuts have been introduced this autumn as slaughtering, in part a result of the imposition of milk quotas on dairy farmers, have added substantially to tonnages in store.

private cold stores.

The commission estimates that the headage payments would cover about 21m of the 28m beef and dairy cattle farmed by 800,000 farmers across the EEC.

It envisages a transition period allowing a part payment for specialist beef farmers in

UK mutton hit by 'clawback' levy

By Our Brussels Staff

THE EUROPEAN Commission yesterday issued a new regulation imposing a so-called "clawback" tax on UK exports of mutton to the Continent, in an effort to conclude a long-standing row about sales of ewe carcasses.

The move was greeted by the British Government and the National Farmers' Union, which claimed the new levy "arbitrarily discriminates against a legitimate UK export."

Mr Michael Jopling, the UK Farm Minister, yesterday warned that he would be making further representations to the Commission to reconsider its decision. He also called on Mr Henri Watlet, his French counterpart, to order an immediate halt to harassment of UK mutton exports.

LME prices supplied by Amalgamated Metal Trading

Official closing (am): Cash 899.50 (810.5), three months 711.0 (692.5), settlement 690 (670.5). Final Kibb close: 897.0.

Turnover: 40,825 tonnes.

Official closing (am): Cash 848.50 (850.5), three months 966.5 (968.5), settlement 940 (950.0). Final Kibb close: 867.0.

Turnover: 19,775 tonnes.

Official closing (am): Cash 254.25 (255.5), three months 270.5 (272.5), settlement 264.5 (265.5). Final Kibb close: 274.5.

Turnover: 2,075 tonnes.

Official closing (am): Cash 2720.5 (2725.5), three months 2780.5 (2785.5), settlement 2765 (2770.0). Final Kibb close: 2774.0.

Turnover: 714 tonnes.

Official closing (am): Cash 409.7 (410.5), three months 453.5 (454.5), settlement 467 (468.0). Final Kibb close: 467.0.

Turnover: 8,900 tonnes.

Official closing (am): Cash 2720.5 (2725.5), three months 2780.5 (2785.5), settlement 2765 (2770.0). Final Kibb close: 2774.0.

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LONDON MARKETS

ALUMINIUM prices rose sharply yesterday on the London Metal Exchange, buoyed up by the announcement that US producer Alcoa is closing 350,000 tonnes of capacity. Although some of this may already be idled, dealers said the news bolstered sentiment in a market already supported by active investment fund buying and short-covering on the back of sterling's weakness against the dollar. Cash metal closed at £695 a tonne, £17.50 up from Friday's finish. Copper was also firm, though it eased from yesterday's peaks to close at £290.75 a tonne, up £2.50 on the day. In soft commodities, cocoa futures got a new lease of life yesterday, rising £42.50 per tonne to £1,732, the highest level since late October. Dealers expected new York prices, weaker sterling and bullish charts. Coffee futures, meanwhile, rose only marginally after their sharp jump of last week weighed down by profit-taking.

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INDICES

FINANCIAL TIMES
Dec. 9 Dec. 6 Month ago Year ago
1294.97 1304.58 1288.55
(Base: Jan 1984 = 100)

REUTERS
Dec. 9 Dec. 6 Month ago Year ago
1708.9 1759.0 1735.8 1778.8
(Base: September 1981 = 100)

DOW JONES
Dec. 9 Dec. 6 Month ago Year ago
1688.18 1688.18 1688.18 1688.18
(Base: December 1971 = 100)

Not available due to suspension of main time.

MAINTENANCE CHANGES
In tonnes unless otherwise stated.

Dec. 9 Dec. 6 Month ago Year ago

Aluminium 11100 11100 11100 11100

Copper 11100 11100 11100 11100

Gold 11100 11100 11100 11100

Iron 11100 11100 11100 11100

Lead 11100 11100 11100 11100

Nickel 11100 11100 11100 11100

Platinum 11100 11100 11100 11100

Silver 11100 11100 11100 11100

Tin 11100 11100 11100 11100

Zinc 11100 11100 11100 11100

Unofficial + or -

Official closing (am): Cash 899.50 (810.5), three months 711.0 (692.5), settlement 690 (670.5). Final Kibb close: 897.0.

Turnover: 40,825 tonnes.

Official closing (am): Cash 848.50 (850.5), three months 966.5 (968.5), settlement 940 (950.0). Final Kibb close: 867.0.

Turnover: 19,775 tonnes.

Official closing (am): Cash 254.25 (255.5), three months 270.5 (272.5), settlement 264.5 (265.5). Final Kibb close: 274.5.

Turnover: 2,075 tonnes.

Official closing (am): Cash 2720.5 (2725.5), three months 2780.5 (2785.5), settlement 2765 (2770.0). Final Kibb close: 2774.0.

Turnover: 714 tonnes.

Official closing (am): Cash 409.7 (410.5), three months 453.5 (454.5), settlement 467 (468.0). Final Kibb close: 467.0.

Turnover: 8,900 tonnes.

Official closing (am): Cash 2720.5 (2725.5), three months 2780.5 (2785.5), settlement 2765 (2770.0). Final Kibb close: 2774.0.

Turnover: 714 tonnes.

Official closing (am): Cash 409.7 (410.5), three months 453.5 (454.5), settlement 467 (468.0). Final Kibb close: 467.0.

Turnover: 8,900 tonnes.

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US MARKETS

PRECIOUS METALS came under aggressive selling pressure on fears of an oil price war as Opec attempts to maintain its market share. Reports from the Commodity Exchange Commission in New York said copper came under pressure in sympathy with precious metals. Aluminium firmed on expectations that the monthly trade stocks report will show a further stock drawdown of primary aluminium. The last of fresh news and prompted in other markets weakness in light of a shift in policy at the Opec meeting which emphasised market share rather than price levels.

The soybean complex strengthened in response to expectations of no changes in the 1985 programme.

NEW YORK

Aluminium 11100 11100 11100 11100

Copper 11100 11100 11100 11100

Gold 11100 11100 11100 11100

Iron 11100 11100 11100 11100

Lead 11100 11100 11100 11100

Nickel 11100 11100 11100 11100

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Turnover: 714 tonnes.

Official closing (am): Cash 409.7 (410.5), three

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Oil fears hit sterling

Sterling came under a little pressure on the foreign exchanges yesterday on fears about a sharp fall in world oil prices, and the possible drop in revenue available to the UK authorities next year from North Sea production. The weak reaction of the pound followed the meeting of ministers from the Organisation of Petroleum Exporting Countries, in Geneva. This resulted in speculation that Opec would maintain production at 18m barrels a day, which is 2m barrels above earlier agreed levels, putting downward pressure on prices, and squeezing non-Opec producers, such as the UK. After an early decline the pound held steady however, and showed little reaction to the Opec communiqué issued yesterday, mentioning the persistent declining trend in Opec production, and the decision of the conference to secure and defend for Opec a fair share of the world oil market, consistent with the necessary income for member countries' development.

Starting lost 1.50 cents to close at \$1.4880-1.4890, and also fell to \$3.6975 from \$3.7000—the lowest level since March—FFr 11.2750 from FFr 11.30; Sfr 3.0875 from Sfr 3.10; and the pound's index, according to the

£ IN NEW YORK

	Dec. 9	Prev. close
1 month	\$1.4885-1.4890	\$1.4890
3 months	\$1.4885-1.4890	\$1.4890
6 months	\$1.4885-1.4890	\$1.4890
12 months	\$1.4885-1.4890	\$1.4890

Forward premiums and discounts apply to the U.S. dollar.

Bank of England fell to 89.3 from 89.1. It opened at 89.3, the highest level of the day, and was then unchanged at 89.3 from 9 am until the final calculation.

The dollar was firmer in very quiet trading, lacking any fresh news to give the currency direction. Friday's agreement in principle by the US Congress to eliminate the budget deficit by 1991, under the revised Gramm-Rudman bill, lent the currency some support, but the market was thin. The dollar showed no sign of breaking out of the recent trading level of DM 2.50 to DM 2.54, but rose to DM 2.5350 from DM 2.5325; Ffr 11.2750 from Ffr 11.30; and Sfr 3.0875 from Sfr 3.10.

On Bank of England figures the dollar's index rose to 127.4 from 127.3.

DM-MARK — Trading range

against the dollar in 1985 is

2.5110. November

average 2.5096. Exchange

index 129.5 against 121.6 six

months ago.

The D-mark weakened against

the dollar in this end of year

trading. It was suggested that

most operators had already

squared positions ahead of the

Christmas and end of year

period. There were no new

factors, as far as the dollar was

concerned, but its firmer tone

appeared to be the result of a

slowdown of funds out of sterling,

after the weekend Opec meet-

ing in Geneva. The pound was

fixed at DM 3.6990, the lowest

level since March 15. The dollar

was fixed at DM 2.5310 from

Frankfurt, compared with

DM 2.5240 on Friday, without

intervention by the Bundesbank.

It closed at DM 2.5350, against

DM 2.5375 at the previous close,

but below the opening level of

DM 2.5320. News that West

German industrial production

rose 1.5 per cent in October,

compared with a revised rise for

September of 0.6 per cent, after

an earlier estimated fall of 0.2

per cent, had no impact. Ger-

man industrial orders increased

by 1.5 per cent in October, after

falling 1.5 per cent in

September.

FUTURES AND OPTIONS

Nervous trading

Prices showed mixed changes in the London International Financial Futures Exchange yesterday. Current problems within Opec and the possibility of an unstable price structure tended to overshadow the market. Initial reactions produced a spate of selling in sterling based instruments but judging by the extent of later support, this was somewhat overdone. Buying later in the day was boosted by renewed demand for US bonds after the start of trading in Chicago and gilt futures finished towards the day's highs although still down from Friday.

US bond futures were helped by a slightly lower Treasury rate, the latter slipping to below 8 per cent. After a quiet start trading picked up during the afternoon with a revised rise for the day's high. Trading was a little listless, however, with the proximity of Christmas already having an influence. Trading was also inhibited to some extent by the release, later this week, of several US economic statistics which include prices and industrial production.

Three-month sterling deposits opened weaker at 88.88 for March delivery, following sterling's weaker trend. The opening level proved to be the day's high but after touching a low of 88.78 the price recovered to finish at 88.87 still down from 88.97 on Friday.

Euro-dollar prices were firmer, helped by a stronger tone in European stock markets. Sterling was also influenced by hopes that legislation would now be passed leading to removal of the US budget deficit. After opening at 91.86, the March price attracted one or two profit takers but met strong resistance at 91.85 and improved to finish at 91.90 up from 91.81.

FTSE prices were a little lower following a small decline in equity prices. The December contract at 140.20 down from 140.80 and closed at 139.70.

CURRENCY FUTURES

POUND-£ (FOREIGN EXCHANGE)

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20-YEAR 12

a fully integrated banking service

DAIWA BANK

Head Office, Osaka, Japan
London Branch, Tel: 011 825 8200
Frankfurt Branch, Tel: 0691 55 92 31
Paris Representative Office, Tel: 011 230 15 73
Daiwa Bank (Capital Markets) Limited, London
Tel: 011 823 1404
Daiwa Finance AG, Zurich, Tel: 011 211 03 11

BRITISH FUNDS

1985	High	Low	Stock	Price	Yield	Div	Yield
"Shorts" (Lives up to Five Years)							
101	91	91	91	11.00	11.00	11.00	11.00
102	92	92	92	11.00	11.00	11.00	11.00
103	93	93	93	11.00	11.00	11.00	11.00
104	94	94	94	11.00	11.00	11.00	11.00
105	95	95	95	11.00	11.00	11.00	11.00
106	96	96	96	11.00	11.00	11.00	11.00
107	97	97	97	11.00	11.00	11.00	11.00
108	98	98	98	11.00	11.00	11.00	11.00
109	99	99	99	11.00	11.00	11.00	11.00
110	100	100	100	11.00	11.00	11.00	11.00
111	101	101	101	11.00	11.00	11.00	11.00
112	102	102	102	11.00	11.00	11.00	11.00
113	103	103	103	11.00	11.00	11.00	11.00
114	104	104	104	11.00	11.00	11.00	11.00
115	105	105	105	11.00	11.00	11.00	11.00
116	106	106	106	11.00	11.00	11.00	11.00
117	107	107	107	11.00	11.00	11.00	11.00
118	108	108	108	11.00	11.00	11.00	11.00
119	109	109	109	11.00	11.00	11.00	11.00
120	110	110	110	11.00	11.00	11.00	11.00
121	111	111	111	11.00	11.00	11.00	11.00
122	112	112	112	11.00	11.00	11.00	11.00
123	113	113	113	11.00	11.00	11.00	11.00
124	114	114	114	11.00	11.00	11.00	11.00
125	115	115	115	11.00	11.00	11.00	11.00
126	116	116	116	11.00	11.00	11.00	11.00
127	117	117	117	11.00	11.00	11.00	11.00
128	118	118	118	11.00	11.00	11.00	11.00
129	119	119	119	11.00	11.00	11.00	11.00
130	120	120	120	11.00	11.00	11.00	11.00
131	121	121	121	11.00	11.00	11.00	11.00
132	122	122	122	11.00	11.00	11.00	11.00
133	123	123	123	11.00	11.00	11.00	11.00
134	124	124	124	11.00	11.00	11.00	11.00
135	125	125	125	11.00	11.00	11.00	11.00
136	126	126	126	11.00	11.00	11.00	11.00
137	127	127	127	11.00	11.00	11.00	11.00
138	128	128	128	11.00	11.00	11.00	11.00
139	129	129	129	11.00	11.00	11.00	11.00
140	130	130	130	11.00	11.00	11.00	11.00
141	131	131	131	11.00	11.00	11.00	11.00
142	132	132	132	11.00	11.00	11.00	11.00
143	133	133	133	11.00	11.00	11.00	11.00
144	134	134	134	11.00	11.00	11.00	11.00
145	135	135	135	11.00	11.00	11.00	11.00
146	136	136	136	11.00	11.00	11.00	11.00
147	137	137	137	11.00	11.00	11.00	11.00
148	138	138	138	11.00	11.00	11.00	11.00
149	139	139	139	11.00	11.00	11.00	11.00
150	140	140	140	11.00	11.00	11.00	11.00
151	141	141	141	11.00	11.00	11.00	11.00
152	142	142	142	11.00	11.00	11.00	11.00
153	143	143	143	11.00	11.00	11.00	11.00
154	144	144	144	11.00	11.00	11.00	11.00
155	145	145	145	11.00	11.00	11.00	11.00
156	146	146	146	11.00	11.00	11.00	11.00
157	147	147	147	11.00	11.00	11.00	11.00
158	148	148	148	11.00	11.00	11.00	11.00
159	149	149	149	11.00	11.00	11.00	11.00
160	150	150	150	11.00	11.00	11.00	11.00
161	151	151	151	11.00	11.00	11.00	11.00
162	152	152	152	11.00	11.00	11.00	11.00
163	153	153	153	11.00	11.00	11.00	11.00
164	154	154	154	11.00	11.00	11.00	11.00
165	155	155	155	11.00	11.00	11.00	11.00
166	156	156	156	11.00	11.00	11.00	11.00
167	157	157	157	11.00	11.00	11.00	11.00
168	158	158	158	11.00	11.00	11.00	11.00
169	159	159	159	11.00	11.00	11.00	11.00
170	160	160	160	11.00	11.00	11.00	11.00
171	161	161	161	11.00	11.00	11.00	11.00
172	162	162	162	11.00	11.00	11.00	11.00
173	163	163	163	11.00	11.00	11.00	11.00
174	164	164	164	11.00	11.00	11.00	11.00
175	165	165	165	11.00	11.00	11.00	11.00
176	166	166	166	11.00	11.00	11.00	11.00
177	167	167	167	11.00	11.00	11.00	11.00
178	168	168	168	11.00	11.00	11.00	11.00
179	169	169	169	11.00	11.00	11.00	11.00
180	170	170	170	11.00	11.00	11.00	11.00
181	171	171	171	11.00	11.00	11.00	11.00
182	172	172	172	11.00	11.00	11.00	11.00
183	173	173	173	11.00	11.00	11.00	11.00
184	174	174	174	11.00	11.00	11.00	11.00
185	175	175	175	11.00	11.00	11.00	11.00
186	176	176	176	11.00	11.00	11.00	11.00
187	177	177	177	11.00	11.00	11.00	11.00
188	178	178	178	11.00	11.00	11.00	11.00
189	179	179	179	11.00	11.00	11.00	11.00
190	180	180	180	11.00	11.00	11.00	11.00
191	181	181	181	11.00	11.00	11.00	11.00
192	182	182	182	11.00	11.00	11.00	11.00
193	183	183	183	11.00	11.00	11.00	11.00
194	184	184	184	11.00	11.00	11.00	11.00
195	185	185	185	11.00	11.00	11.00	11.00
196	186	186	186	11.00	11.00	11.00	11.00
197	187	187	187	11.00	11.00	11.00	11.00
198	188	188	188	11.00	11.00	11.00	11.00
199	189	189	189	11.00	11.00	11.00	11.00
200	190	190	190	11.00	11.00	11.00	11.00
201	191	191	191	11.00	11.00	11.00	11.00
202	192	192	192	11.00	11.00	11.00	11.00
203	193	193	193	11.00	11.00	11.00	11.00
204	194	194	194	11.00	11.00	11.00	11.00
205	195	195	195	11.00	11.00	11.00	11.00
206	196	196	196	11.00	11.00	11.00	11.00
207	197	197	197	11.00	11.00	11.00	11.00
208	198	198	198	11.00	11.00	11.00	11.00
209	199	199	199	11.00	11.00	11.00	11.00
210	200	200	200	11.00	11.00	11.00	11.00
211	201	201	201	11.00	11.00	11.00	11.00
212	202	202	202	11.00	11.00	11.00	11.00
213	203	203	203	11.00	11.00	11.00	11.00
214	204	204	204	11.00	11.00	11.00	11.00
215	205	205	205	11.00	11.00	11.00	11.00
216	206	206	206	11.00	11.00	11.00	11.00
217	207	207	207	11.00	11.00	11.00	11.00
218	208	208	208	11.00	11.00	11.00	11.00
219	209	209	209	11.00	11.00	11.00	11.00
220	210	210	210	11.00	11.00	11.00	11.00
221	211	211	211	11.00	11.00	11.00	11.00
222	212	212	212	11.00	11.00	11.00	11.00
223	213	213	213	11.00	11.00	11.00	11.00
224	214	214	214	11.00	11.00	11.00	11.00
225	215	215	215	11.00	11.00	11.00	11.00
226	216	216	216	11.00	11.00	11.00	11.00
227	217	217	217	11.00	11.00	11.00	11.00
228	218	218	218	11.00	11.00	11.00	11.00
229	219	219	219	11.00	11.00	11.00	11.00
230	220	220	220	11.00	11.00	11.00	11.00
231	221	221	221	11.00	11.00	11.00	11.00
232	222	222	222	11.00	11.00	11.00	11.00
233	223	223	223	11.00	11.00	11.00	11.00
234	224	224	224	11.00	11.00	11.00	11.00
235	225	225	225	11.00	11.00	11.00	11.00
236	226	226	226	11.00	11.00	11.00	11.00
237	227	227	227	11.00	11.00	11.00	11.00
238	228	228	228	11.00	11.00	11.00	11.00
239	229	229	229	11.00	11.00	11.00	11.00
240	230	230	230	11.00	11.00	11.00	11.00
241	231	231	231	11.00	11.00	11.00	11.00
242	232	232	232	11.00	11.00	11.00	11.00
243	233	233	233	11.00	11.00	11.00	11.00
244	234	234	234	11.00	11.00	11.00	11.00
245	235	235	235	11.00	11.00	11.00	11.00
246	236	236	236	11.00	11.00	11.00	11.00
247	237	237	237	11.00	11.00	11.00	11.00
248	238	238	238	11.00	11.00	11.00	11.00
249	239	239	239	11.00	11.00	11.00	11.00
250	240	240	240	11.00	11.00	11.00	11.00
251	241	241	241	11.00	11.00	11.00	11.00
252	242	242	242	11.00	11.00	11.00	11.00
253	243	243	243	11.00	11.00	11.00	11.00

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INDUSTRIALS—Continued

1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591	590	589	588	587	586	585	584	583
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LONDON STOCK EXCHANGE

MARKET REPORT

Concern over oil prices and Cable and Wireless unsettles equity market

Account Dealing Dates

*First Declared Last Account
Dealings in Dealings Day
Nov 11 Nov 21 Nov 22 Dec 2
Nov 25 Dec 5 Dec 6 Dec 16
Dec 9 Dec 19 Dec 20 Jan 6
Dec 16 Dec 26 Dec 27 Jan 13

Worries that OPEC attempts to protect its market share could be at the expense of oil prices made for nervous conditions in London financial markets yesterday. Sterling fell sharply against the dollar in foreign exchange markets and stock markets were not too long in following the downturn. Weekend Press doubts over the equity market's ability to sustain the bull phase were a restraint and for the first session of a new trading Account investors were unusually cautious.

Attention initially focussed on Imperial Group following Friday's surprise late after-Hours rise. The group's share price rose 10p to 227p, but it was soon diverted to Cable and Wireless. The latter's price came perilously close to 50p, the level at which the pending offer-for-sale of the Government's remaining holding in the group is underwritten, before recovering. Later, however, Cable and Wireless weakened again to close 13p down at 583p, after 590p. Applications for the new partially paid shares of C and W must be lodged by 10 am tomorrow.

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Reflecting the general decline in equity values, the FT-SE 100 share index was down 12 points at 1,115.2. It subsequently steadied following another sparkling Wall Street opening yesterday but still closed a net 8.7 down on the session at 1,392.2. Supported by the combined strength of constituents generally, the index and in particular BSE, the FT Ordinary share index fell only 2.2 to 1,154.4, the three stocks added around 64 points to the index.

Oil-edged securities were again affected by the exchange rate. Business was erratic with operators generally content to await today's banking statistics although the importance of sterling M3 has recently diminished; a fall in the short rate about one per cent is forecast by market analysts. At the close, longer-dated stocks showed falling ratings to while the short rate was around 1.5 lower.

Wagon Finance, the hire purchase concern in which M&L and Hambros hold nearly 14 per cent

shares, responded to persistent speculative support and closed 15 to the good at a 1985 peak of 136p. Elsewhere in the banking sector, Smith's Abnny gained 2 to 39p on Press speculation of an imminent 44p per share cash offer from New York bankers Irving Trust.

Insurance were quietly dull. Life issues fell away with Abbey Life 7 off at 194p amid vague rumours of a Boardroom rift. London and Manchester dipped 10 to 85p and Prudential 15 to 78p. Among Composite Commercial Union eased 5 to 31p.

Press comment stimulated fresh demand for recently-issued J. S. Pathology which rose 30 to 232p. Engineering group Monks and Grace staged a quiet debut in the Unlisted Securities Market and closed at 80p compared with the placing price of 77p. Recent enthusiasm for Breweries subsided and the leaders were generally content to drift in extremely quiet trading. B&S, a lively market last week following the excellent preliminary figures, encountered sporadic profit-taking and fell 15 to 680p. Among Regional, Weirhampton and Dudley hardened a penny to 37p, after 38p, after revealing better-than-expected full-year profits. Y&A, annual results expected today, rose 3 to 375p.

Among Buildings, French Kier attracted support to speculation about an increased offer from C. H. Beazer and rose 5 to 264p, while Thomson-T-Lee Caravans, which slipped 37 on Friday following Diemend Limited's acquisition of a 61.5 per cent stake at 50p per share, gained a further 20 to 105p. Elsewhere, Press comment recommending a switch from recent high flyer British Benzil into Derek Crouching left the former 12 down at 130p and lifted the latter 5 to 120p.

Press speculation that GEC could launch its proposed 160p

FINANCIAL TIMES STOCK INDICES

	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Year
Government Secs	85.14	85.55	85.43	85.77	85.56	85.98	86.49	86.84	87.12	86.49
Fixed Interest	85.14	85.55	85.43	85.77	85.56	85.98	86.49	86.84	87.12	86.49
Ordinary	1115.2	1117.4	1116.4	1113.4	1118.7	1124.4	1134.4	1144.4	1154.4	1164.4
Gold Mines	248.3	248.3	248.3	248.3	248.3	248.3	248.3	248.3	248.3	248.3
Ord. Div. Yield	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43	4.43
Earnings, Yld. 50/100	10.88	10.88	10.88	10.88	10.88	10.88	10.88	10.88	10.88	10.88
P/E Ratio (net) (%)	11.22	11.24	11.24	11.26	11.26	11.26	11.26	11.26	11.26	11.26
Total Returns (Est.)	27.943	27.943	27.943	27.943	27.943	27.943	27.943	27.943	27.943	27.943
Equity turnover (m)	897.68	897.68	897.68	897.68	897.68	897.68	897.68	897.68	897.68	897.68
Equity margins	35.078	35.433	35.433	35.433	35.433	35.433	35.433	35.433	35.433	35.433
Shares traded (m)	307.8	318.1	318.1	318.1	318.1	318.1	318.1	318.1	318.1	318.1

16 am 1117.5, 11 am 1115.1, Noon 1114.1, 1 pm 1112.6
2 pm 1113.1, 3 pm 1114.0, 4 pm 1114.7
Day's High 1118.2, Day's Low 1112.8
Basis 100 Govt. Secs, 15/10/25, Fixed Int. 1982, Ordinary 1/7/75
Gold Mines 15/10/25, SE Activity 1974
Latest Index 01-246 8025
Nil = 10.51

HIGHS AND LOWS

	1985	Since Compil'n	Dec 9	Dec 8
Govt. Secs	85.14	85.14	85.14	85.14
Fixed Int.	85.14	85.14	85.14	85.14
Ordinary	1115.2	1115.2	1115.2	1115.2
Gold Mines	248.3	248.3	248.3	248.3

S.E. ACTIVITY

	Dec 9	Dec 8
Govt. Secs	85.14	85.14
Fixed Int.	85.14	85.14
Ordinary	1115.2	1115.2
Gold Mines	248.3	248.3

per share bid for Plessey 8 to 250p. Elsewhere, Derivative, reflecting demand ahead of tomorrow's interim figures, advanced 10 to 205p, while Spear and Jackson, following further developments in the bid situation, dropped 8 to 158p in reaction to adverse comment, while Thera EMH gave up 6 at 41p. British Telecom, following a late fall of 11 in Chloride to 33p following news of the interim dividend, first-half profits set-back and a revised forecast, dropped 14 to 157p; the annual results are due on December 17. A flurry of speculative buying lifted Basset 15 to 163p, while Halesowen fell 75p following the interim results and accompanying acquisition of a 50 per cent stake in the company's South African subsidiary in Brazil. Reithams also hardened 5 to 133p.

Oil retreat
Development at the OPEC meeting in Geneva over the weekend brought about intense pressure on North Sea oil prices and prompted widespread losses throughout the oil sector. The leaders fell sharply in mid-morning before steadying in the after-hours trade. Nevertheless, BP posted a 10 fall at 54p, after 54p, while Shell gave up a like amount to 63p. British settled 9 off at 216p. Tritelent 5 down at 140p and Enterprise 3 cheaper at 154p. L&S initially retreated 1p before a flurry of bid rumours boosted the shares to 238p; subsequent profit-taking

Boots feature
Newspaper comment highlighting the possibilities prompted both domestic and overseas demand for Boots which closed 20 up at the day's best of 283p. The leaders fell 2 cheaper on balance at 38p; Unilever has recently been mentioned as a possible predator. Transoceanic retained a full market at 35p, down 1, while Pilkington Bros. ran back a similar amount to 30p following Thursday's interim statement. 21p where R. Kelvin Watson, up 21 to 238p following news of a

left the quotation a net 4 up at 232p.
A marked deterioration in sentiment in the bullion market unsettled all the major areas of mining markets. South African Gold opened easier and gradually gave ground throughout the session as the bullion price dipped to close a net 55 down at 537.75 an ounce—the lowest closing level since mid-September.

Rises and falls yesterday
British Funds, 101 7
Foreign Bonds, 3 38
Industrials, 327 469
Fin. and Props., 1 14
Pharmaceuticals, 1 14
Others, 7 72
Totals, 513 245 1,372

Paper/Printings traded irregularly. Corcoran, 4 off at 141p, and envelope manufacturers Chapman Industries, 10 lower at 212p, both lost ground following today's respective pre-announcements and interim results. Associated Paper, on the other hand, improved a few pence to 223p in front of tomorrow's annual figures. Revived speculative support lifted Cradley 8 to 57p. Among advertising issues, Osprey Communications dipped 1p to 50p on the interim profits setback.

The Property leaders failed to capitalise on Friday's better showing and closed 4p down at 141p, and envelope manufacturers Chapman Industries, 10 lower at 212p, both lost ground following today's respective pre-announcements and interim results. Associated Paper, on the other hand, improved a few pence to 223p in front of tomorrow's annual figures. Revived speculative support lifted Cradley 8 to 57p. Among advertising issues, Osprey Communications dipped 1p to 50p on the interim profits setback.

NEW HIGHS AND LOWS FOR 1985
NEW HIGHS (54)
BRITISH FUNDS (1)
Foreign Bonds (1)
Industrials (1)
Fin. and Props. (1)
Pharmaceuticals (1)
Others (1)
Totals (1)

NEW LOWS (43)
BRITISH FUNDS (1)
Foreign Bonds (1)
Industrials (1)
Fin. and Props. (1)
Pharmaceuticals (1)
Others (1)
Totals (1)

NEW HIGHS (54)
BRITISH FUNDS (1)
Foreign Bonds (1)
Industrials (1)
Fin. and Props. (1)
Pharmaceuticals (1)
Others (1)
Totals (1)

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Totals (1)

RECENT ISSUES

EQUITIES

Date	Price	Amount	1985	1986		1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	
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WORLD STOCK MARKETS

AUSTRIA

Dec. 9	Price	±
Creditanstalt f. P.	415	-
Erste Bank	385	-
Erstbank	1,480	-
Erstbank	396	-
Erstbank	770	-
Erstbank	122	-
Erstbank	820	-

BELGIUM/LUXEMBOURG

Dec. 9	Price	±
S.A. Bel. Lux.	2,350	+5
S.A. Bel. Lux.	2,350	+5
S.A. Bel. Lux.	2,350	+5
S.A. Bel. Lux.	2,350	+5
S.A. Bel. Lux.	2,350	+5
S.A. Bel. Lux.	2,350	+5
S.A. Bel. Lux.	2,350	+5
S.A. Bel. Lux.	2,350	+5
S.A. Bel. Lux.	2,350	+5
S.A. Bel. Lux.	2,350	+5

DENMARK

Dec. 9	Price	±
Andelsbanken	585	-
Andelsbanken	585	-
Andelsbanken	585	-
Andelsbanken	585	-
Andelsbanken	585	-
Andelsbanken	585	-
Andelsbanken	585	-
Andelsbanken	585	-
Andelsbanken	585	-
Andelsbanken	585	-

FRANCE

Dec. 9	Price	±
Accor 4 1/2	1,375	-
Accor 4 1/2	1,375	-
Accor 4 1/2	1,375	-
Accor 4 1/2	1,375	-
Accor 4 1/2	1,375	-
Accor 4 1/2	1,375	-
Accor 4 1/2	1,375	-
Accor 4 1/2	1,375	-
Accor 4 1/2	1,375	-
Accor 4 1/2	1,375	-

GERMANY

Dec. 9	Price	±
AEG	272.5	+2.5
AEG	272.5	+2.5
AEG	272.5	+2.5
AEG	272.5	+2.5
AEG	272.5	+2.5
AEG	272.5	+2.5
AEG	272.5	+2.5
AEG	272.5	+2.5
AEG	272.5	+2.5
AEG	272.5	+2.5

NETHERLANDS

Dec. 9	Price	±
ACF Holding	960	-
ACF Holding	960	-
ACF Holding	960	-
ACF Holding	960	-
ACF Holding	960	-
ACF Holding	960	-
ACF Holding	960	-
ACF Holding	960	-
ACF Holding	960	-
ACF Holding	960	-

NORWAY

Dec. 9	Price	±
Bergens Bank	171	-
Bergens Bank	171	-
Bergens Bank	171	-
Bergens Bank	171	-
Bergens Bank	171	-
Bergens Bank	171	-
Bergens Bank	171	-
Bergens Bank	171	-
Bergens Bank	171	-
Bergens Bank	171	-

SPAIN

Dec. 9	Price	±
Ochoa Banco	811	-
Ochoa Banco	811	-
Ochoa Banco	811	-
Ochoa Banco	811	-
Ochoa Banco	811	-
Ochoa Banco	811	-
Ochoa Banco	811	-
Ochoa Banco	811	-
Ochoa Banco	811	-
Ochoa Banco	811	-

SWEDEN

Dec. 9	Price	±
Adia-Laval	165	-
Adia-Laval	165	-
Adia-Laval	165	-
Adia-Laval	165	-
Adia-Laval	165	-
Adia-Laval	165	-
Adia-Laval	165	-
Adia-Laval	165	-
Adia-Laval	165	-
Adia-Laval	165	-

AUSTRALIA (continued)

Dec. 9	Price	±
Gas. Prop. Trust	2.8	+0.02
Gas. Prop. Trust	2.8	+0.02
Gas. Prop. Trust	2.8	+0.02
Gas. Prop. Trust	2.8	+0.02
Gas. Prop. Trust	2.8	+0.02
Gas. Prop. Trust	2.8	+0.02
Gas. Prop. Trust	2.8	+0.02
Gas. Prop. Trust	2.8	+0.02
Gas. Prop. Trust	2.8	+0.02
Gas. Prop. Trust	2.8	+0.02

HONG KONG

Dec. 9	Price	±
Bank East Asia	96.7	-
Bank East Asia	96.7	-
Bank East Asia	96.7	-
Bank East Asia	96.7	-
Bank East Asia	96.7	-
Bank East Asia	96.7	-
Bank East Asia	96.7	-
Bank East Asia	96.7	-
Bank East Asia	96.7	-
Bank East Asia	96.7	-

JAPAN (continued)

Dec. 9	Price	±
Mitsui Bank	245	-
Mitsui Bank	245	-
Mitsui Bank	245	-
Mitsui Bank	245	-
Mitsui Bank	245	-
Mitsui Bank	245	-
Mitsui Bank	245	-
Mitsui Bank	245	-
Mitsui Bank	245	-
Mitsui Bank	245	-

SINGAPORE

Dec. 9	Price	±
Bank of China	1.34	+0.01
Bank of China	1.34	+0.01
Bank of China	1.34	+0.01
Bank of China	1.34	+0.01
Bank of China	1.34	+0.01
Bank of China	1.34	+0.01
Bank of China	1.34	+0.01
Bank of China	1.34	+0.01
Bank of China	1.34	+0.01
Bank of China	1.34	+0.01

SOUTH AFRICA

Dec. 9	Price	±
Bank of Africa	1.34	+0.01
Bank of Africa	1.34	+0.01
Bank of Africa	1.34	+0.01
Bank of Africa	1.34	+0.01
Bank of Africa	1.34	+0.01
Bank of Africa	1.34	+0.01
Bank of Africa	1.34	+0.01
Bank of Africa	1.34	+0.01
Bank of Africa	1.34	+0.01
Bank of Africa	1.34	+0.01

AUSTRALIA

Dec. 9	Price	±
Bank of Australia	1.34	+0.01
Bank of Australia	1.34	+0.01
Bank of Australia	1.34	+0.01
Bank of Australia	1.34	+0.01
Bank of Australia	1.34	+0.01
Bank of Australia	1.34	+0.01
Bank of Australia	1.34	+0.01
Bank of Australia	1.34	+0.01
Bank of Australia	1.34	+0.01
Bank of Australia	1.34	+0.01

CANADA

Dec. 9	Price	±
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01

TORONTO

Dec. 9	Price	±
Bank of Toronto	1.34	+0.01
Bank of Toronto	1.34	+0.01
Bank of Toronto	1.34	+0.01
Bank of Toronto	1.34	+0.01
Bank of Toronto	1.34	+0.01
Bank of Toronto	1.34	+0.01
Bank of Toronto	1.34	+0.01
Bank of Toronto	1.34	+0.01
Bank of Toronto	1.34	+0.01
Bank of Toronto	1.34	+0.01

MONTREAL

Dec. 9	Price	±
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01
Bank of Montreal	1.34	+0.01

INDICES

Dec. 9	Price	±
Bank of India	1.34	+0.01
Bank of India	1.34	+0.01
Bank of India	1.34	+0.01
Bank of India	1.34	+0.01
Bank of India	1.34	+0.01
Bank of India	1.34	+0.01
Bank of India	1.34	+0.01
Bank of India	1.34	+0.01
Bank of India	1.34	+0.01
Bank of India	1.34	+0.01

NEW YORK

Dec. 9	Price	±
Bank of New York	1.34	+0.01
Bank of New York	1.34	+0.01
Bank of New York	1.34	+0.01
Bank of New York	1.34	+0.01
Bank of New York	1.34	+0.01
Bank of New York	1.34	+0.01
Bank of New York	1.34	+0.01
Bank of New York	1.34	+0.01
Bank of New York	1.34	+0.01
Bank of New York	1.34	+0.01

LONDON

Dec. 9	Price	±
Bank of London	1.34	+0.01
Bank of London	1.34	+0.01
Bank of London	1.34	+0.01
Bank of London	1.34	+0.01
Bank of London	1.34	+0.01
Bank of London	1.34	+0.01
Bank of London	1.34	+0.01
Bank of London	1.34	+0.01
Bank of London	1.34	+0.01
Bank of London	1.34	+0.01

PARIS

Dec. 9	Price	±
Bank of Paris	1.34	+0.01
Bank of Paris	1.34	+0.01
Bank of Paris	1.34	+0.01
Bank of Paris	1.34	+0.01
Bank of Paris	1.34	+0.01
Bank of Paris	1.34	+0.01
Bank of Paris	1.34	+0.01
Bank of Paris	1.34	+0.01
Bank of Paris	1.34	+0.01
Bank of Paris	1.34	+0.01

BRUSSELS

Dec. 9	Price	±
Bank of Brussels	1.34	+0.01
Bank of Brussels	1.34	+0.01
Bank of Brussels	1.34	+0.01
Bank of Brussels	1.34	+0.01
Bank of Brussels	1.34	+0.01
Bank of Brussels	1.34	+0.01
Bank of Brussels	1.34	+0.01
Bank of Brussels	1.34	+0.01
Bank of Brussels	1.34	+0.01
Bank of Brussels	1.34	+0.01

AMSTERDAM

Dec. 9	Price	±
Bank of Amsterdam	1.34	+0.01
Bank of Amsterdam	1.34	+0.01
Bank of Amsterdam	1.34	+0.01
Bank of Amsterdam	1.34	+0.01
Bank of Amsterdam	1.34	+0.01
Bank of Amsterdam	1.34	+0.01
Bank of Amsterdam	1.34	+0.01
Bank of Amsterdam	1.34	+0.01
Bank of Amsterdam	1.34	+0.01
Bank of Amsterdam	1.34	+0.01

ZURICH

Dec. 9	Price	±
Bank of Zurich	1.34	+0.01
Bank of Zurich	1.34	+0.01
Bank of Zurich	1.34	+0.01
Bank of Zurich	1.34	+0.01
Bank of Zurich	1.34	+0.01
Bank of Zurich	1.34	+0.01
Bank of Zurich	1.34	+0.01
Bank of Zurich	1.34	+0.01
Bank of Zurich	1.34	+0.01
Bank of Zurich	1.34	+0.01

STOCKS

Dec. 9	Price	±
Bank of Stock	1.34	+0.01
Bank of Stock	1.34	+0.01
Bank of Stock	1.34	+0.01
Bank of Stock	1.34	+0.01
Bank of Stock	1.34	+0.01
Bank of Stock	1.34	+0.01
Bank of Stock	1.34	+0.01
Bank of Stock	1.34	+0.01
Bank of Stock	1.34	+0.01
Bank of Stock	1.34	+0.01

BONDS

Dec. 9	Price	±
Bank of Bonds	1.34	+0.01
Bank of Bonds	1.34	+0.01
Bank of Bonds	1.34	+0.01
Bank of Bonds	1.34	+0.01
Bank of Bonds	1.34	+0.01
Bank of Bonds	1.34	+0.01
Bank of Bonds	1.34	+0.01
Bank of Bonds	1.34	+0.01
Bank of Bonds	1.34	+0.01
Bank of Bonds	1.34	+0.01

COMMODITIES

Dec. 9	Price	±
Bank of Commodities	1.34	+0.01
Bank of Commodities	1.34	+0.01
Bank of Commodities	1.34	+0.01
Bank of Commodities	1.34	+0.01
Bank of Commodities	1.34	+0.01
Bank of Commodities	1.34	+0.01
Bank of Commodities	1.34	+0.01
Bank of Commodities	1.34	+0.01
Bank of Commodities	1.34	+0.01
Bank of Commodities	1.34	+0.01

CURRENCY

Dec. 9	Price	±
Bank of Currency	1.34	+0.01
Bank of Currency	1.34	+0.01
Bank of Currency	1.34	+0.01
Bank of Currency	1.34	+0.01
Bank of Currency	1.34	+0.01
Bank of Currency	1.34	+0.01
Bank of Currency	1.34	+0.01
Bank of Currency	1.34	+0.01
Bank of Currency	1.34	+0.01
Bank of Currency	1.34	+0.01

OVER-THE-COUNTER

Dec. 9	Price	±
Bank of Over-the-Counter	1.34	+0.01
Bank of Over-the-Counter	1.34	+0.01
Bank of Over-the-Counter	1.34	+0.01
Bank of Over-the-Counter	1.34	+0.01
Bank of Over-the-Counter	1.34	+0.01
Bank of Over-the-Counter	1.34	+0.01
Bank of Over-the-Counter	1.34	+0.01
Bank of Over-the-Counter	1.34	+0.01
Bank of Over-the-Counter	1.34	+0.01
Bank of Over-the-Counter	1.34	+0.01

NASDAQ

Dec. 9	
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11/11

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AMEX COMPOSITE PRICES

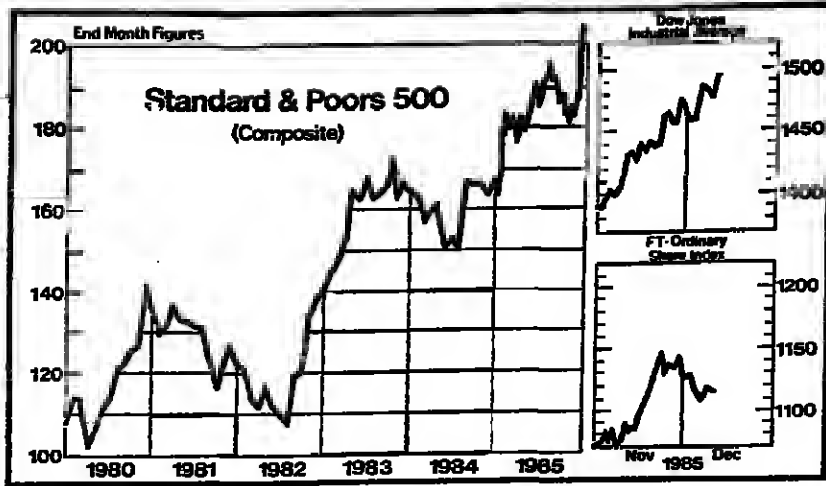
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FINANCIAL TIMES

WORLD STOCK MARKETS

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 9	Previous	Year ago
NEW YORK			
DJ Industrials	1,482.32	1,484.4	1,171.8
DJ Transport	701.43	708.82	520.37
DJ Utilities	165.78	165.82	144.80
S&P Composite	203.92	204.23	162.10
LONDON			
FT 100	1,115.4	1,117.8	930.3
FT-SE 100	1,382.2	1,401.9	1,150.1
FT-A All-share	674.75	678.09	573.24
FT-A 500	741.94	746.52	629.22
FT Gold mines	268.3	276.8	532.3
FT-A Long gilt	10.41	10.37	10.09
TOKYO			
Nikkei	12,788.23	12,793.53	11,466.9
Tokyo SE	1,101.08	1,011.26	884.27
AUSTRALIA			
All Ord.	985.8	984.3	726.5
Metals & Mins.	484.9	481.2	422.9
AUSTRIA			
Credit Aktien	115.33	115.43	57.74
BEELGIAN			
Belgian SE	2,916.79	2,944.41	—
CANADA			
Toronto	2,006.3	1,992.2	1,854.0
Metals & Mins.	2,855.8	2,863.2	2,362.1
Montreal	139.02	139.07	118.61
DENMARK			
SE	n/a	231.67	186.42
FRANCE			
CAC Gen	246.3	247.8	181.7
Ind. Tendance	142.1	143.1	99.8
WEST GERMANY			
FAZ-Aktien	585.42	585.77	375.44
Commerzbank	1,725.0	1,726.0	1,092.5
HONG KONG			
Hang Seng	1,724.27	1,721.89	1,122.12
ITALY			
Banca Comm.	435.73	441.9	214.78
NETHERLANDS			
ANP-CBS Gen	236.7	239.2	178.8
ANP-CBS Ind	216.3	217.9	141.4
NORWAY			
Oslø SE	382.81	399.08	280.49
SINGAPORE			
Straits Times	648.49	631.22	518.43
SOUTH AFRICA			
JSE Golds	—	1,182.6	1,024.0
JSE Industrials	—	1,044.1	959.9
SPAIN			
Madrid SE	130.81	131.46	96.07
SWEDEN			
J & P	1,611.79	1,609.99	1,376.89
SWITZERLAND			
Swiss Bank Ind	541.9	541.9	385.7
WORLD			
Capital Int'l	n/a	245.7	183.7

COMMODITIES

	Dec 9	Prev
(London)		
Silver (spot fixing)	408.35p	410.00p
Copper (cash)	330.75	338.50
Coffee (Jan)	22,007.50	22,008.00
Oil (spot Arabian Light)	\$27.85	\$27.90

	Dec 9	Prev
INTEREST RATES		
3-month offered rate	11 1/2%	11 1/2%
FFr	4%	4%
DM	4 1/4%	4%
FFr	11%	10 3/4%
FT London Interbank fixing (offered rate)		
3-month U.S.S.	8 1/4%	8 1/4%
6-month U.S.S.	8 1/4%	8 1/4%
U.S. Fed Funds	7 1/2%	7 1/2%
U.S. 3-month T-bills	7.90%	8.02%
U.S. 3-month T-bills	7.195%	7.20%

	Dec 9	Prev
U.S. BONDS		
Treasury		
8 1/2% 1987	100 1/2	8.34
9% 1992	101 1/2	9.34
9% 1995	100 1/2	9.49
9% 2015	100 1/2	9.78
Yield		
8 1/2% 1987	100 1/2	8.463
9% 1992	101 1/2	9.467
9% 1995	100 1/2	9.608
9% 2015	100 1/2	9.874

	Dec 9	Prev
Treasury Index		
1-30	134.10	+0.13
1-10	131.57	+0.09
1-3	127.62	+0.06
3-5	133.34	+0.04
15-30	142.77	+0.28
Source: Merrill Lynch		

	Dec 9	Prev
Corporate		
AT & T		
10% June 1990	101 1/2	9.95
3% July 1990	85	7.85
8% May 2000	88	10.37
Xerox		
10% Mar 1983	103	10.02
Diamond Shamrock		
10% May 1983	100	10.825
Federal Dept Stores		
10% May 2013	96%	11.00
Abbott Lab		
11.80 Feb 2013	106	11.20
Alcoa		
12% Dec 2012	104	11.75
Source: Salomon Bros		

	Dec 9	Prev
FINANCIAL FUTURES		
CHICAGO		
U.S. Treasury Bonds (CBT)		
8 1/2% 32nds of 100%	81-30	81-22
Dec	81-30	81-22
U.S. Treasury Bills (TBM)		
5 1/2% points of 100%	92-08	92-05
Dec	92-08	92-05
Certificates of Deposit (CD)		
5 1/2% points of 100%	92-14	92-12
Dec	92-14	92-12
LONDON		
Three-month Eurodollar		
5 1/2% points of 100%	91-85	91-87
Dec	91-85	91-87
20-year Notional Gilt		
500,000 32nds of 100%	111-10	111-09
Dec	111-10	111-09
Source: Salomon Bros		

	Dec 9	Prev
CURRENCIES		
(London)		
\$	2.535	2.5235
DM	2.535	2.5235
Yen	203.55	203.25
FFr	7.73	7.715
Sfr	2.117	2.115
Quilider	2.851	2.84
Lira	1,721.5	1,722.5
Bfr	51.55	51.35
CS	1,398.5	1,396.5
GOLD (per ounce)		
London	\$317.75	\$322.75
Zürich	\$317.65	\$322.35
Paris (fixing)	\$321.89	\$324.18
Luxembourg	\$320.25	\$322.90
New York (Feb)	\$319.80	\$326.20

	Dec 9	Prev
U.S. DOLLAR		
(London)		
\$	2.535	2.5235
DM	2.535	2.5235
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Bfr	51.55	51.35
CS	1,398.5	1,396.5
GOLD (per ounce)		
London	\$317.75	\$322

FINANCIAL TIMES SURVEY

Bermuda

This British colony is stable and prosperous, with a high standard of living supported both by tourism and the island's role as an offshore centre. Recent economic performance has dipped but some improvement is being felt.

Business under a UK flag

By Paul Taylor

FEW ISLAND-NATIONS are fortunate enough to boast the natural and man-made advantages of tiny Bermuda, Britain's oldest self-governing colony. For while Bermuda is by no means totally free of problems—it has relatively few of them compared with many other offshore business centres.

Physically, the chain of 140 islands that make up Bermuda sit in the middle of the Western Atlantic, bathed by the warm waters of the Gulf Stream—which ensures a year-round temperate climate—yet just 600 miles off the coast of North Carolina and one-hour's flying time from New York.

Although Bermuda, with just 20.5 square miles of land, is not rich in natural resources and has virtually no local manufacturing base—meaning that almost everything has to be imported—its 54,000-strong population is generally well-educated and well paid. Thanks to the service economy there is virtually no unemployment and the islands' per capita Gross Domestic Product of about \$18,000 make the islands one of the richest "city states" in the world. Prices are high, but so generally is the standard of living.

Hamilton, Bermuda's capital and business centre, is smart,

clean, professional and efficient. Telecommunications services, provided by the local telephone company and internationally by Cable and Wireless, are modern. Were it not for the businessmen in Bermuda aborts, Hamilton might well be mistaken for a somewhat extravagantly-painted English market town on a sunny summer day.

Politically the country is stable and democratic, with a lively local press. Premier John Swan's United Bermuda Party won a landslide victory in the October elections, increasing his party's majority by 10 to 22 in the 40-seat parliament. The victory, which Mr Swan modestly calls "a good mandate," appears to ensure him and his party power for up to another five years.

Tensions

Perhaps equally importantly, the signs of social unrest apparent in the late 1960s and early 70s—which culminated in the murder of Sir Richard Sharples, the British Governor, appear to have disappeared. The relative prosperity of Bermuda, its growing middle class and the emergence of Mr Swan, a black Bermudian, as premier of a nation in which just over 60 per cent of the population is black, seems to have soothed previous tensions.

At the same time Bermuda has managed to maintain its reputation as a "clean" busi-

ness centre—free from drug money, corruption and the other undesirable trappings of an island society which is generally remarkably free of rules and regulations and where virtually everyone knows each other and what is going on.

Mr Swan, a local businessman turned shrewd politician, says he is committed to expanding Bermuda's participatory democracy and the island's "strong educational underpinnings." He attributes the island's success to date to these factors and his "experiment in pluralism."

But there are rules. For example, the height of buildings is strictly controlled, the maximum speed limit is set at a modest 22 miles per hour to reflect the nature of Bermuda's roads and there are no cars for hire—just bicycles, mopeds and taxis.

Today the business of Bermuda government takes place under the watchful and wise eye of Viscount Dunsany, former High Commissioner to Fiji and then Barbados, who took over the responsibilities of British Governor in 1983 following the abrupt departure of Sir Richard Posnett after an unseemly row over his locally-paid expenses.

In contrast, the current governor appears generally well liked and respected by Bermudians. But in fact Britain's involvement with Bermuda these days is largely confined to cricket, ceremony



Premier John Swan: election victory a "good mandate"

and the issuing of passports, and that appears to suit most Bermudians just fine.

"Britain has not interfered with our domestic development," Mr Swan says. "But it has been a co-operative, supportive and cordial relationship." This probably explains Bermuda's apparent reluctance to seek full independence from Britain.

Bermuda's ties to the US are arguably more important these days than its constitutional and historic links to Britain. Geographically, Bermuda's

Vital Statistics

Area:	20.5 sq. miles
Population:	54,000
Total employment:	32,035
Total visitor arrivals (000):	528.8
Visitors' expenditure (\$m):	337
Retail price index (change on year):	+5.1
Merchandise imports (\$m):	404.4
Central government's total revenue (\$m):	187.8
Total commercial bank assets (\$m):	5,136
GDP at market prices (\$m):	1,003.4
GDP at constant prices (75/76 \$m):	463.3
GDP per capita (factor cost):	15,600

Research: Riva Nachoma

position has made it a key strategic base for the US and Nato. The US maintains a large military base on the island which operates as a Soviet submarine "listening post"—in return for which the US runs Bermuda's civilian airport.

The economic ties to North America are even more compelling. Bermuda's local currency, the Bermuda dollar, is tied to the US dollar at parity, 60 per cent of the island's imports come from the US and almost 90 per cent of the tourists, who foot a large

part of the import bill, arrive from the States.

The British flag may still fly over Bermuda but as Mr Swan says dryly: "The bottom line is that we have Americans to feed and protect us." The relationship between the US and Bermuda is a close one—although there are the occasional disputes, particularly over Bermuda's generous tax regime.

While Bermuda businessmen and politicians shun the idea that Bermuda is, or ever has been, a "tax haven" the absence of income tax, withholding tax, corporate tax, tax on profits and most other forms of direct taxation, have helped make Bermuda an attractive base for offshore businesses.

Under Bermuda law international exempt companies do not have to meet the local 60:40 rule—requiring 60 per cent Bermudian ownership—and are also guaranteed immunity from the imposition of any income or corporate taxes until 2008. But they do pay other forms of indirect taxes which make Bermuda a relatively expensive place in which to live and work.

But the attractions of Bermuda as an offshore business base do extend far beyond tax considerations. Among those cited by local businessmen are the island's attractive geographic location and time zone position, quality of life, regular air services to

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London and North America, freedom from foreign exchange controls and other constraints on investment, and well-developed communications and other infrastructure.

As a result, Bermuda has managed to attract a wide range of financial services, trading and other companies to its shores. Currently there are more than 5,800 international companies registered in Bermuda. Among them are the "captive" insurance subsidiaries of many of the world's largest industrial groups which, together with the professional brokers, underwriters and management services companies, have helped turn Bermuda into a major offshore insurance centre.

Contribute

Together, these international companies contribute more than \$200m a year to the Bermuda economy and, coupled with tourism, keep Bermuda financially afloat. By most estimates tourism accounts for over 30 per cent of Bermuda's \$1bn GDP and about half its foreign exchange earnings while international business generates 19 per cent of GDP and about 50 per cent of foreign exchange earnings.

The importance of these twin supports to Bermuda's economy has been dramatically highlighted in recent years—spotlighting probably the biggest challenge facing the islands today.

For the past three years the local economy has been in the doldrums, the country's trade balance has worsened, plunging into deficit last year, and the government, faced with yawning budget deficits, has been forced to trim spending plans and raise custom duties and other taxes while running down its reserves to almost zero. The major causes of Bermuda's lacklustre economic

performance over the past few years have been a steady decline in tourist arrivals—partly reflecting the strength of the dollar—and slowing growth in the international business sector—partly reflecting problems in the worldwide insurance markets. Meanwhile, domestic consumption continued to rise, fuelling a surge in imports.

The economic tide may now be turning, spurred by government and private sector initiatives. The decline in tourist arrivals appears to have been halted, the dollar has fallen, locally fuelled wage-price inflation is trending down and the recent improvement in the world underwriting insurance markets "beginning to be felt among Bermuda's insurance captives."

In the tourist sector in particular, the future looks distinctly brighter. The dollar's decline should help restore Bermuda's competitiveness as a top-class holiday destination, some progress has been made on reducing high air fares to the islands and re-arranging schedules, promotional advertising is being stepped up, and the US Congress is considering a Bill which would provide the same tax-breaks to companies holding conventions in Bermuda hotels that are already available to some other countries.

In addition, several large Bermuda hotels have changed hands recently and are undergoing substantial renovation—Club Med has acquired the former Lewis Beach Club and Marriott has acquired the Castle Harbour Hotel. Overall, according to Mr Kirk Cooper, chairman of the Bermuda Tourist Board, Bermuda hotel owners are spending almost \$90m on renovation projects—a "fairly hefty investment" which he and Mr Irving Pearman, Bermuda's Tourism Minister, say "reflects investors' confidence in the future."

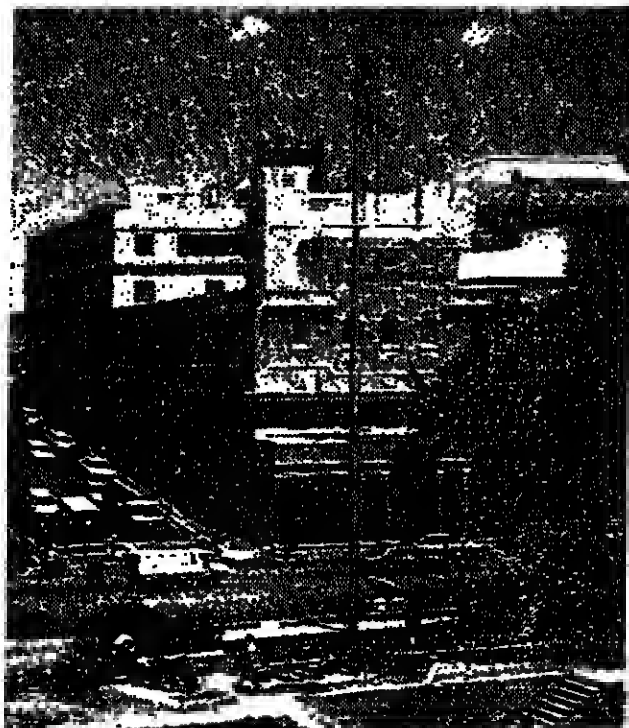
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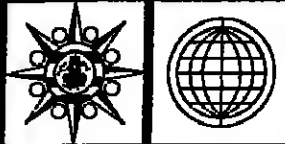
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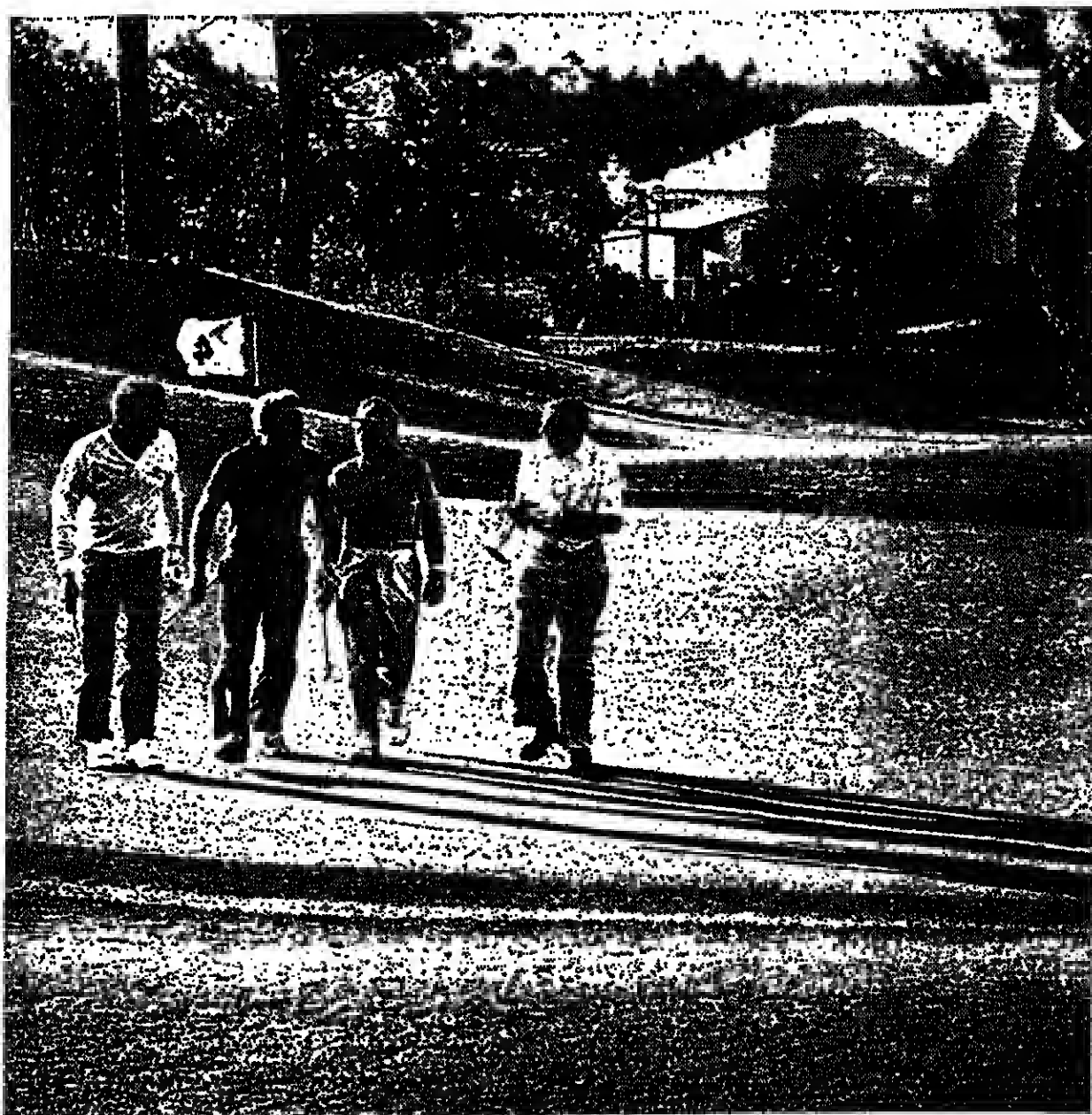


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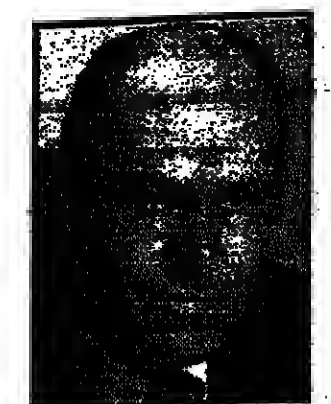
Bermuda. Now

Bermuda 2

Bermuda's Gross Domestic Product

	1979-80	1980-81	1981-82	1982-83	1983-84
Consumers' expenditure	318.5	330.6	326.6	327.7	339.5
General government final consumption	47.2	48.3	50.4	51.2	55.6
Gross domestic fixed capital formation	63.9	79.0	68.6	90.9	89.7
Domestic demand	429.6	457.9	445.6	469.6	484.8
Exports: Visitor expenditure	179.2	184.2	151.2	151.2	151.9
Exports: International company expenditure	74.4	88.5	95.4	87.7	88.0
Exports: Other goods and services	51.9	49.8	50.9	59.1	59.9
External demand	305.5	322.5	297.5	298.0	299.8
Total final demand	735.1	780.5	743.1	767.6	784.6
Less: Imports of goods and services	-268.3	-302.5	-291.2	-308.1	-318.9
Gross domestic product at market prices	466.8	478.0	451.9	459.5	465.7

Source: Bermuda Statistical Department.



Sir David Gibbons: stern warning on balance of payments

First signs of a recovery

Economy

PAUL TAYLOR

THE BERMUDA economy rests on two pillars—tourism and international business. Together they generate the foreign exchange necessary to fund Bermuda's substantial imports bill, while propping up the domestic economy and government spending.

But both tourism and international business have been depressed in recent years. Tourism by the strength of the dollar, high local prices, competition and, until recently, a lack of new capital investment; and international business mainly by the problems of the insurance industry worldwide.

As a result the Bermuda economy has been in the doldrums and Bermudians, once used to uninterrupted growth, have had to come to grips with a new reality — living within their country's limited means. Now there are the first signs of a turnaround resulting from a combination of a falling dollar, a determined effort to reinvigorate the tourist sector and promote the country as an offshore financial centre, tighter government spending policies and a greater realism in the local labour market.

The economy is in an early stage of recovery from the slump we have been having in the last three years," says Dr Clarence James, Bermuda's Finance Minister — expressing a view cautiously endorsed by most private sector economists and businessmen.

Between 1975-76 and 1980-81 Bermuda's real GDP grew by a dramatic 21 per cent. But this fast-paced expansion came to an abrupt end in the early 1980s. Real GDP peaked in 1980-81 and since then—despite the recovery in the US and most other Western nations — Bermuda's economy has been in what Dr Graham Dargie, the government's economic advisor, describes as a "temporary period of no growth."

Indeed, after posting sub-par real growth of less than 0.5 per cent in 1983-84, real GNP probably declined by as much as 5 per cent in fiscal 1984-85 but is generally expected to begin to grow modestly again in the current financial year.

To achieve renewed growth Bermuda has begun to address some of the key factors which have led to the economy's recent lacklustre performance — a steady erosion of its tourist base, slowing growth in the international business sector, wage-push, domestic inflation and soaring imports fuelled by domestic consumption.

Imports of goods grew by more than 10 per cent in 1983-84 last year and with merchandise exports totalling only a modest \$30m the colony's merchandise

trade gap widened to \$366m from \$345m in 1983.

Inevitably, Bermuda is heavily dependent on imports—about 60 per cent of which come from the US. And with virtually no local manufacturing base, the island nation relies upon "invisible" exports such as receipts from tourism, offshore banking and financial services to foot the foreign exchange import bill and help plug this yawning trade gap.

But last year, according to Bermuda monetary authority figures, tourist and travel receipts remained virtually unchanged at \$337m and the positive balance on professional management and technical services mainly representing spending by international companies in Bermuda, remained flat at just over \$200m.

As a result Bermuda's traditionally strong current account balance of payments surplus evaporated, turning into a \$21m deficit, prompting a stern warning from Sir David Gibbons, the monetary authority chairman, that "the steady deterioration

exempt companies and non-resident companies on the Bermuda companies register showed little growth last year, expanding to 5,880 at the end of 1984 compared to 5,780 a year earlier. At the same time a number of these companies announced a cutback in local operations.

Recently, however, there have been limited signs of some pick-up. For example, in the 1985 first half 303 new international companies were registered compared to 267 in the 1984 first half.

The importance of the international company sector to the Bermuda economy is probably understated by the statistics. International companies directly employ 2,000 out of the island's 32,000-strong workforce. But local banks, insurance and business services employ another 4,300.

A recent study completed with the help of the Bermuda International Business Association (BIBA) suggested that local companies, excluding the banks, received \$42m of their

fast pace of domestic monetary growth and bank lending.

In a small closed economy like Bermuda the impact was felt almost immediately. By the end of June there had been a marked decline in retail sales with year-on-year numbers showing a 6.8 per cent drop and second quarter imports tumbled by 7.2 per cent to \$38.8m.

In addition this slowdown appears to be having other favourable "depressurising" results. While Bermuda's retail price inflation has declined to a steady pace of less than five per cent — aided in part by the strong dollar and stable US export prices — local wages and salaries have been rising at a significantly faster pace.

This wage-led domestic inflation has primarily reflected local labour market conditions. There is virtually no unemployment in Bermuda. Indeed with a population of only about 56,000 many Bermudians have more than one job. As Mr Gascoigne notes: "There is actually a labour shortage."

Now, in the wake of the slowdown in the domestic economy — which has led to some lay-offs and redeployment of the workforce — there are signs of "greater realism" in the labour market. Employers report less turnover among the workforce and wage settlements appear to be heading down towards the 5 per cent level compared to between seven and eight per cent just a year ago. At the same time, housing prices and office rents have stabilised and construction activity has slowed.

The changed economic environment also appears to have instilled a new sense of fiscal and budgetary realism in government. Last autumn the Government—aware that it was heading for its second consecutive combined current and capital account budget deficit, which threatened to wipe out its already depleted reserves—stepped on the spending brakes.

As a result the Government posted a fiscal 1984-85 budget deficit of \$10.5m following a \$8.7m deficit the previous year — but avoided the need to borrow by running down its consolidated fund balance to just under \$2m.

Since Bermuda has few direct taxes the main source of Government revenues are indirect taxes like customs duties which are budgeted to bring in \$92m or about 43 per cent of total revenues this year. Ironically, one of the dangers that could blow the budget off course is the recent decline in imports in real terms which cut customs receipts by \$5m in the first half. But whatever the outcome, Dr James says he is committed not to resort to borrowing because he says the service-based Bermuda economy is too narrow to carry a hefty debt burden. "I feel that apart from borrowing for housing we should not borrow," he says.

Government adds to its power

Politics

ROGER SCOTTON

OUTWARDLY, the political scene appears to be unchanging. Premier John Swan is still premier. The United Bermuda Party is still in power as it has always been. And there are few obvious signs that Britain's oldest colony has just been dragged through its third general election in five years.

Yet 1985 will long be remembered as the most political significant year in Bermuda since the advent of party politics in the late 1980s—a year which has seen the government become immensely powerful, the Opposition Progressive Labour Party incredibly weak and the fledgling National Liberal Party emerge as a third force.

The changes have brought the newly-appointed PLP chief Frederick Wade to within a hundred yards of his goal. But his chances of moving from the drab offices of the official Opposition leader to the comparatively well-upholstered surroundings of the Premier's just across the street are more remote than they have ever been.

His Left-wing party, whose leanings have been traditionally described as being similar to those of the Left wing of Britain's Conservative Party, has never governed Bermuda. It came close in the 1980 general election, when it won control of 18 seats in the colony's 40-seat Westminster-style Parliament and was reckoned to be about 150 votes short of winning. But now, two elections later, the PLP is in tatters. It not only lost this year's

general election on October 29, but suffered the worst electoral defeat in its 21-year history. It went into the election holding 10 parliamentary seats and emerged with just seven—a result which left the ruling Right-wing United Bermuda Party with 31 seats and led to the almost immediate resignation of Mr Wade's predecessor, the 14-year veteran Mrs Lois Browne Evans.

Mr Wade, 46, a lawyer who was formerly the PLP's deputy leader, blames the October debacle on the combination of a recent highly-controversial split in his party and apathetic, disenchanted supporters.

The split this summer followed months of intense infighting between PLP moderates and hardliners over the direction of the party and Mrs Browne Evans' leadership. The battle led to the expulsion of six PLP moderates, rebels who became the nucleus of a new centrist group calling itself Supporters for Change which emerged as the National Liberal Party in August this year. The rest is history.

A mid-term election was called by Premier John Swan at a time when the PLP was

least able to contest it and produced the lowest turnout ever recorded for Bermuda's 30,000 voters. Worst hit were PLP strongholds where many voters boycotted an event that had been widely criticised as being totally unnecessary and completely uninspired.

At the count, the party came away with just 31 per cent of the popular vote against the UBP's 62 per cent and the NLP's 7 per cent. "People were asked to vote in the third general election in five years despite the fact that there were two and a half years remaining on Mr Swan's mandate," Mr Wade says. "The voters were just fed up with politics and politicians."

Though the call to the polls was not unexpected and followed months of speculation, the PLP still managed to get caught unprepared. "Our internal crisis had kept us pre-occupied," Mr Wade explained. "When we should have been out on the streets campaigning and trying to get the community behind us, we were squabbling among ourselves."

Yet Bermuda's 50-year-old black premier John Swan, who maintained consistently that his

aim in calling an early election was not to capitalise on the opposition's disarray but to give voters a chance to reaffirm their support for the United Bermuda Party. And they did, giving the UBP an unprecedented Parliamentary majority in the process.

Mr Swan has argued that the formation of the National Liberal Party, which succeeded in winning two parliamentary seats in the House of Assembly represented such a fundamental political change that an election was fully justified.

But there are many who disagree with that argument and who claim that the Swan administration should have got on with the job of running the country instead of taking it back to the polls so soon after the 1983 election. They maintain that the UBP's demolition job on the opposition has effectively robbed many working-class Bermudians of Parliamentary representation and that the island's powerful Bermuda Industrial Union will now become increasingly more militant.

Already the NLP has stepped in with an offer to represent trade unions in Parliament, claiming that the Progressive Labour Party has merely used its traditional link with the unions to achieve party objectives. But the industrial union is unlikely to give up strong PLP ties for a group still in its formative stages.

Mr Gilbert Darrell, the Liberal leader, has said the UBP is primarily business-oriented, the PLP labour-oriented and that the NLP is in between the two. But although out of office he has firmly ruled out an alliance with the battered PLP, they still appear to be casting around for the right kind of middle ground.

General Election results

(Distribution of seats)	1980	1983†	1985
Progressive Labour Party	18	14	7
United Bermuda Party	22	26	31
National Liberal Party	—	—	2
Total elected	40	40	40
Registered voters (000s)	31.2	29.9	29.3
% voting	80	81	70

† In 1984 four members of the Progressive Labour Party sat as independents.

Research: Ruxia Nachoms.

Bermuda 3

Rapid growth created by offshore role

Banking
PAUL TAYLOR

BERMUDA'S three banks depend heavily on international business for their prosperity—indeed their rapid growth in recent years is a direct consequence of Bermuda's emergence as a major offshore financial and trading centre in which the banks play a key intermediary role.

The local economy on its own, even when buoyant, could not support three full service commercial banks. As the Bank of Bermuda's latest annual report notes: "Our earnings growth is wholly attributable to revenues generated by the international sector and in particular to increased foreign interest earnings."

"The wide range of services offered to local customers through the bank's branch network in Bermuda is largely supported and to some degree therefore subsidised, by our international business."

Bolstered by an expanding foreign currency deposit base, the three Bermuda banking groups have seen their combined total assets grow from just over \$1bn ten years ago to \$3.9bn at the end of 1984 and about \$5.2bn today.

According to figures from the Bermuda Monetary Authority, foreign currency deposits increased by over 25 per cent to \$3.9bn during the past four years alone, while Bermuda dollar deposits grew by 52 per cent to \$542m at the end of 1984.

At Bank of Bermuda, the island's biggest banking group with \$2.74bn in total assets at the end of June, Mr Donald Lines, chief general manager, estimates that about 95 per cent of the bank's 1,120 employees owe their jobs to international operations—including the 127 employed overseas in offices in Guernsey, London and Hong Kong and, most recently, in an Edeco Act bank in New York.

The group, one of the largest private sector employers in Bermuda, estimates that about 86 per cent of its assets are employed in its international operations, including foreign currency, deposit lending and fee-based activities, conducted both in its Hamilton headquarters and at its foreign offices.

At Butterfield and Son, Bermuda's oldest banking group with \$2.2bn in assets and a 761-strong workforce, a similar picture emerges. The banking group's assets have grown from just \$54.5m two decades ago and Mr Stephen Kempe, the bank's assistant general manager, estimates that between 85 and 95 per cent of the group's business is now international.

Although Butterfield claims the largest share of Bermuda's domestic banking business, an activity which Mr Kempe says is profitable, the international business remains the single most important factor in the bank's continued prosperity.

Bermuda's third banking group is the much smaller and

recently renamed Bermuda Commercial Bank formed in 1969. The bank, which has about \$300m in assets, is 52.4 per cent owned by Barclays Bank's international subsidiary, BBI, and is operated under a BBI management contract. However, Mr Michael Shadrach, managing director, says the bank has, over the years, "changed its thrust from being an (Barclays) adjunct to being a locally guided and owned bank."

While Mr Shadrach accepts that his bank does not have the resources to compete across the board with its two larger competitors, the bank is steadily building its international business—using the Barclays affiliation—but is emphasising the expansion of its domestic Bermuda-based operations.

The group currently employs 95 people of whom about 60 are involved in Treasury, money market and trust company operations, the latter conducted through the bank's 60 per cent owned subsidiary, International Trust Company of Bermuda. "Bermuda is an investment centre," says Mr Shadrach. "Vast amounts of money are held here by insurance companies and the large trading companies and a lot of business is in investing these funds."

Technology

Despite the differences in size and some subtle differences in emphasis, Bermuda's three banks share many things in common.

All three are also investing heavily in technology—installing automated teller machines to serve their local retail customers and putting in sophisticated computer systems to enhance the quality of their corporate and trust services. At Butterfield, for example, Mr Norman Jones, Chief general manager, and Mr Kempe say the group has invested "several millions" in new technology in recent years.

The banks are using this computing power to improve the wide range of services they offer, including money management, trust and fiduciary services, custodian services and foreign exchange trading. They are also expanding their international business, particularly in areas such as letters of credit and guarantees.

Combined balance of Bermuda's banks

	1982	1983	1984	1985
	\$m	\$m	\$m	\$m
COMMERCIAL BANK ASSETS				
Cash and demand deposits with banks	310	163	499	481
Time deposits	3,027	3,349	3,382	3,393
Investments	58	117	68	70
Loans and advances	459	516	523	608
Premises and equipment	26	35	35	40
Other assets	393	469	568	594
Total	4,283	4,649	5,136	5,188
COMMERCIAL BANK LIABILITIES				
Demand deposits	897	939	970	936
Time and savings deposits	2,905	3,116	3,474	3,529
Other liabilities	393	474	537	568
Capital and reserves	88	120	135	155
Total	4,283	4,649	5,136	5,188

Research: Ruvka Nachoms.

A need to increase volume

AFTER JUST over a year in operation Intex, the Bermuda-based automated futures exchange, is preparing to broaden its range in an attempt to achieve profitability and begin to deliver on its potential to revolutionise the international futures markets.

The computer-based exchange, the first of its type in the world, finally began operations in October last year, after years of frustrating delay. Initially, the exchange traded a single contract—a 100 oz gold futures contract identical to the actively-traded New York Comex contract.

But despite the opening fanfare, trading in the gold futures contract has remained slow with daily contract volume averaging only about 150 to 175 lots. In part the low volume reflects the unfortunate timing of the Intex start-up.

Mr David Thompson, Intex general manager and vice-president, says that the Bermuda exchange nevertheless remains committed to the gold futures contract. More importantly, he says the first year of trading at Intex has helped the system prove itself.

The real accomplishment in the first year, he says, is in becoming established. "People no longer question the integrity of the system." Now, Mr Thompson says, the exchange is turning its attention towards expanding and offering innovative products.

Intex introduced the first of these in May this year, a freight futures contract in conjunction with London's Baltic Exchange. The Intex Ocean Freight rate (OFR) futures contract is based on the established Baltic Freight Index (BFI) and provides an important new hedging tool for shipowners, charterers and brokers.

Mr Thompson says the Intex OFR contract—valued at \$10 per full index point—"has gone extremely well." In the first few months of trading contract volume grew steadily and is now averaging 230 contracts a day and hitting between 700 and 800 contracts on busy days.

Already Intex has plans for a US stock index contract based on the financial news composite index (FNCI or "Fancy"), an index developed by the Financial News network, a US cable television group. Intex has won the blessing of the US commodity futures trading commission (CFTC) for the new contract plans to start trading the FNCI stock index future this month or next.

Although the contract will face fierce competition from better-established stock index futures traded on US futures exchanges, Mr Thompson believes that the index's simplicity and close correlation to the Dow Jones industrial average will appeal to individual investors.

"We are going after the retail market," he says. Intex has also done a deal with the Pacific Stock Exchange which will trade an option on the FNCI futures contract.

Intex has plans to trade a fourth futures contract, a US Government zero coupon, and says it is actively looking at other possibilities including foreign exchange futures. In the meantime, the exchange is looking at other ways of raising revenues including links with other exchanges and marketing its software new contract and trading system built around two digital equipment Vax 780 computers in its Bermuda headquarters—to other potential users. With a system that can handle up to 70,000 trades an hour, Intex has plenty of spare capacity.

So far, only 55 terminals, mostly in the US and Britain, are hooked up to the system, and with volume still sluggish Intex is not expected to make a profit until 1987. But Mr Thompson insists that Intex is seeing growing interest and participation—aided in part by favourable US tax treatment.

The exchange's biggest shareholder is its chairman, Mr Earl Brian, a US venture capitalist, but Dominion International, the British company, acquired a 25 per cent stake in the venture last year for \$3m.

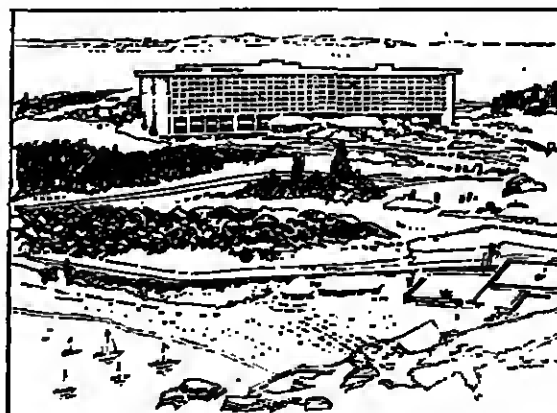
Since then Intex has raised a further \$5m through a private placement of 1.25m shares completed earlier this year through Samuel Montagu, the UK merchant bank. As a result, Mr Thompson says, the exchange has "substantially more shareholders."

Electronic futures

PAUL TAYLOR

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TWO HOTELS

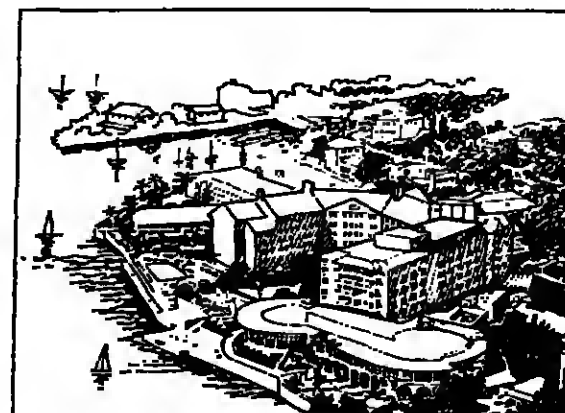


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Surge of interest from the US

Insurance— captive companies

PAUL TAYLOR

THE INSURANCE industry in Bermuda, like its counterparts on both sides of the Atlantic, has been going through some tough times in recent years. But today, industry executives cautiously suggest, the worst may be over and they argue that Bermuda's insurance sector is poised to rebound.

Bermuda insurance managers have watched premium income in response to a sharp reduction in underwriting capacity. As a result they report a new surge of interest in the Bermuda market—particularly among major US industrial companies and trade groups considering setting up new "captive" insurance companies.

Such moves, coupled with bold new underwriting initiatives, could help reverse the contraction in the Bermuda insurance industry over the last few years and help set the local

economy moving again.

At the same time local insurance executives like Mr Robin Spencer-Arscott, president of Frank B. Hall's Bermuda operations, suggest that the Bermuda insurance sector could emerge stronger, wiser and more professional as a result of its recent well publicised problems. "The industry in Bermuda," he says, "has returned to sanity."

Bermuda ranks as the world's largest "captive" insurance market and the sector's dramatic early growth, beginning in the late 1960s, was one of the key developments helping to turn the islands into an offshore financial centre. According to Bank of Bermuda estimates, some \$8.5bn in insurance premiums flows into Bermuda each year—most of it through the captives created by US corporations.

The local market is made up of about 1,200 insurance and reinsurance companies, of which about 1,000 are captive insurance companies formed by non-insurance groups to insure or reinsure the parent company's risk. By forming these units, non-insurance groups, which include most of the Fortune 500 industrial companies, have been able to reduce and more closely control

their insurance costs.

The attractions of setting up a captive insurance operation in Bermuda are many and varied. One advantage is that a corporate parent with a good risk record may be able to obtain cheaper coverage by placing its insurance needs through an in-house captive than by going to an independent insurer whose claims experience with similar industrial companies may have become tarnished.

Other reasons recently put forward by a major international accounting firm for forming a Bermuda captive include risk retention and management and loss control cash-flow benefits, access to the reinsurance market, unavailability of local coverage, diversification into a profit centre, unbundling of services and reduction of government regulations and restrictions.

More controversial tax benefits also used to be cited by some. The absence of income tax, corporation tax, withholding tax on profits and most other forms of tax was arguably a factor in the growth of the Bermuda captive movement since it allowed the insurance subsidiaries of overseas parents to operate in a highly tax-efficient manner—building up reserves to meet future possible claims.

Law suits

But lawmakers, the courts and the inland revenue service in the US have steadily reduced or eliminated many of the tax advantages of Bermuda captive insurance operations. Pending law suits and the possibility of further US tax legislation threaten to challenge the remaining tax benefits of such operations.

A few Bermuda captives have already learned that lesson to their cost. A key IRS ruling in the late 1970s, covering the allowances for premiums paid by companies to their insurance captives, added impetus to a trend among Bermuda captives to reduce their reliance on in-house business and expand into the "party of unrelated risks."

Some Bermuda insurance veterans also suggest that a few Bermuda companies ran into problems because of poor and inexperienced management teams which failed to recognise that much of the underwriting business shown to Bermuda companies was of poor or dubious quality and had already been rejected elsewhere. Today Bermuda's insurance managers repeatedly emphasise that selectivity and professionalism is the key to survival and prosperity in the tough insurance market.

In any event the industry's recent worldwide problems apparently caught some Bermuda companies off guard. Among the first to suffer was Walton Insurance Company, Phillips Petroleum's Bermuda-based captive, which was hit by heavy losses in 1983 resulting in its decision to stop accepting non-related business and began winding down its Bermuda operations.

The Walton has become something of a cause celebre in the Bermuda insurance market. Formed in 1971, the firm expanded rapidly into non-related business. By the end of 1983 its book of non-related business—much of it large lines of aviation business—was five times the amount of business related to its parent oil company.

In the wake of the Walton affair there have been other disasters including Cambridge Re, an insurance captive owned by Canadian-based National Sea Products, which stopped underwriting in April 1984 and has since gone into liquidation. More recently, Mentor Insurance, owned by New Orleans-based Ocean Drilling, stopped writing new insurance a year ago and is now being compulsorily wound up by the Bermuda government amid a flurry of law suits.

Other captives have scaled back operations over the past six years, but not always because of losses. Mr Clayton Cormier, president of Ancon Insurance, Exxon's huge and profitable Bermuda captive which is retrenching, explains that there have been four major reasons for the sharp underwriting capacity shrinkage in Bermuda over the past 21 years.

These are, first, poor results, like those at Walton. Second, policy decisions like as at Cambridge Re. Third, acquisitions and mergers as in the case of Gulf Oil's Inco captive insurance company which announced a year ago that it was stopping all reinsurance activities and would eventually close its offices in Bermuda. And finally, expenses—related, like Continental RE's decision to relocate some Bermuda operations to New York.

Bermuda insurance companies

(Year-end results in \$000)

	1984	1983	% change
Business written	7,584,220	6,522,105	+16.3
Gross premium	5,449,490	4,766,405	+15.3
Net premium	22,194,220	17,985,250	+23.9
Total assets	9,929,410	8,559,730	+15.8

Source: Bermuda Government.

Changes on stamp duty tax

ONE OF the key challenges facing Bermuda is to maintain its competitiveness as an offshore financial centre. The most pressing change the international business community has been pressing for is a reduction in the level of stamp duty tax levied by the government on personal trusts, mutual funds and unit trusts, and "exempted" insurance companies.

Six months ago Dr Clarence James, Bermuda's Finance Minister, set up a joint committee of Finance, Industry and government representatives to review stamp duty regulations to "remove any serious impediments" to international business.

Following the report of the joint committee, the Minister is expected to announce the following changes—in the form of new regulations—within the next few weeks. In each case stamp duty paid before the regulations become effective will be counted as a credit towards the respective ceiling of threshold.

● Personal trusts: A maximum of \$250 in stamp duty is payable when a personal trust is set up, together with an ad valorem duty of one-tenth of the value of any Bermuda property contributed.

● Mutual funds and unit trusts: From the start of next year mutual funds and unit trusts will pay stamp duty at the rate of one-tenth of one per cent on the issue price of any new shares. However, a new threshold of \$25,000 will be introduced. Once the rate will drop to one-twentieth of one per cent.

● Exempted insurance companies: A \$25,000 cap is to be imposed on the stamp duty payable on the authorised share capital of newly formed insurance companies. The Finance Minister will have discretion to waive this duty, wholly or in part, where regulatory factors in the formation of an intermediate holding company as the parent of the Bermuda company.

Currently, exempted companies pay stamp duty at the rate of one quarter of one per cent on the authorised share capital, together with duty at the same rate on the share premium component of the issue price of its shares.

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Extensive range of activities

Insurance— ancillary services

PAUL TAYLOR

THE RAPID growth of Bermuda as an offshore insurance centre has resulted in the development of an extensive range of ancillary services, including captive management, broking and reinsurance operations, accounting firms and lawyers to support the captive insurance industry.

Among the overseas brokers with local Bermuda operations offering captive management services are Johnson and Higgins, which is the largest captive manager in Bermuda with about 140 companies on its books; Marsh and McLellan, Alexander and Alexander, which recently merged with Reed Stenhouse's Insurance Managers subsidiary; and Frank B. Hall.

In addition, there is a wide range of other locally based captive management firms, including Argus Insurance, a local Bermuda insurance group offering a full line of insurance services and a captive management facility through its Argus International management company, and Hanna Insurance Management, a Bermuda subsidiary of the US-based M. A. Hanna group which acquired Allied Management in September and ranks as about the fifth largest captive manager, with 70 clients on its books.

Among the other industry specialists are companies like C. E. Heath's independent Bermuda subsidiary, Pinnacle Reinsurance, which is a professional reinsurer specialising exclusively in retrospective and prospective aggregate covers and run-off reinsurance.

These in turn are serviced by the Bermuda-based operation of all the major accounting firms together with nine firms of local lawyers.

Typically the captive managers provide a full range of services to their overseas clients for a fee—often until the captive insurance company grows big enough to manage its own operations and systems.

Frank B. Hall for example, was one of the first brokers to establish a captive management operation in Bermuda in 1967 called Parker & Co-Intercean which offers a broad range of services including organisation, administration, accounting, management, underwriting, reinsurance and related work. Among its biggest clients is

Grumman, the US aerospace group, whose Paumanok Insurance Company, with assets of more than \$31m, operates solely as a reinsurance company. Last year Paumanok, in expectation of a market correction and the belief that "adequate and strong security position will become a more important factor," strengthened its balance sheet for the fourth time in 12 years by doubling its share capital to \$20m—adding \$10m from retained earnings.

Since Frank B. Hall entered the captive management business it has dramatically expanded its Bermuda operations. In 1980 the Bermuda group reorganised and formed an underwriting agency, Frank B. Hall (underwriting managers), to underwrite captive clients' non-related business. In 1982 set up Frank B. Hall (intermediaries) to act as a reinsurance intermediary to develop business from the US and UK markets offered to professional-run Bermuda reinsurance companies. Finally, the Bermuda group added a data processing division to service the captive companies.

Mr Spencer-Arscott, president of Frank B. Hall's Bermuda operations says he is "very optimistic" about the future, now that the business has "stabilised." Like other local insurance experts he believes that the Bermuda industry is emerging stronger and healthier as a result of its past problems.

He also believes Bermuda has managed to improve the regulation of the insurance sector without imposing too many constraints. Backed by new legislation—which among other provisions, vet the insurance advisory committee's additional powers to veto entrants and beefed-up reporting requirements—Mr Spencer-Arscott claims: "Bermuda is as well or better regulated than London or New York."

But there are big differences in the range, style and business philosophy of the captive managers. For example, some like Argus Insurance, discourage their clients from taking on their party underwriting risks, while others actively encourage it, on a controlled basis.

Mr John Sainsbury, Argus's managing director, explains: "We do not believe that Bermuda is the place to do non-related underwriting. The place to do that is London." He adds that many of the local industry's problems in recent years stemmed from "poor rates, poor underwriting, and the poor selection of business shown to local underwriters."

Mr Sainsbury also has strong views on the future of the captive movement. "Single parent captives, he says, are a thing of the past" unless they are highly capitalised and assume more of the risk themselves.

While other captive managers would challenge some aspects of this assessment, there is widespread agreement that a number of specific trends—mostly driven by market conditions—are emerging within the Bermuda captive insurance industry.

Among these are a marked step-up in the number of new insurance registrations and the rejuvenating of dormant captives—both moves indicating the lack of available insurance coverage on some lines in the US and soaring premium prices.

According to the latest figures available, 66 new Bermuda insurance companies were incorporated last year—a net gain of 31 after allowing for those being wound down and liquidated.

Mr David Brown, president of Insurance Managers, which, after combining with Alexander and Alexander's operations, now has about 90 captives on its books and employs 65 people in Bermuda, says: "Captives are being looked at again," and adds, "we are certainly bullish at the moment."

Second, there is particular interest in the formation of captives by US groups of individual companies with similar lines of business and trade associations seeking better and cheaper coverage for their members.

There are probably over 100 of these association captives already operating in Bermuda. Typically the insurance risk of the association is channelled through direct insurance groups in the US while a reinsurance programme is arranged on the association's business with the Bermuda captive.

Insurers in the US or elsewhere are more willing to take the risk because the exposure is limited and there is a guaranteed pool of reinsurance while the costs to association members are reduced because collectively they have more purchasing power.

The renewed interest in association captives also highlights another trend in the Bermuda market—a move towards higher-capitalised captives.

This is apparent not only among existing captives—the 1984 industry figures show an 18.8 per cent increase in the

He adds: "The business seen here is not as good as in London and even at the centre of the hub they can't make it."

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This is apparent not only among existing captives—the 1984 industry figures show an 18.8 per cent increase in the

capital and surplus of Bermuda's insurance companies compared to a 15.3 per cent increase in net premiums—but also among prospective industry new entrants.

Contracted

"New companies are having to put in more capital because they have to retain more risk than before because the reinsurance market has contracted," says Mr Stuart Grayston, president of Hanna Insurance Management and of the Bermuda Insurance Association, an industry umbrella group.

This reduction in reinsurance capacity, which Mr Grayston terms "dramatic and probably permanent," is also leading to an explosion in new captive pooling and other risk sharing arrangements in which risks unrelated risks can be strictly controlled.

Hanna Insurance itself offers two of these types of facilities, Corporate Insurance and Reinsurance Ltd., a Bermuda Company which retains risk itself, and the Risk Exchange Association, a facility set up by Act of Parliament and backed by the Scandia group, which does not retain risk and is only accessible to members.

Members of the exchange can cede business through the facility and accept business through it on a facultative basis, but Mr Grayston emphasises that not every submission by members is accepted and says "about a third are turned down."

Recently several other pooling arrangements have been established. Among these are those set up by Mr Fred Reiss, Johnson and Higgins' Victoria underwriting facility, and American Capacity and Excess (ACE), a potentially high-powered, high-capacity pooling arrangement with a very high level of deductible being put together by a former Cigna insurance executive.

Mr Grayston believes the Bermuda insurance market of the future will comprise highly-capitalised captives, self-insuring some of their risks and backed by pooling arrangements to take up the rest.

"Bermuda has started to grow up," he says. "It has come of age and it is a real honest-to-goodness insurance centre. It has come through its first series of insurance failures."

"I think we are a stronger, more professional group on the ground now in Bermuda because we have learned from experience—some of us have learned from the school of hard knocks."

Bermuda 5

How to get there, where to stay and where to eat

CURRENCY: Bermudan dollar, 100 cents = BDS\$1 (linked to US\$ which is also in general circulation).

Currency regulations: Import only US and Canadian currency.

Entry requirements: Passports are not necessary for citizens of the US or Canada. US citizens must have one of the following documents: valid or expired passport, a birth certificate, a US voter's registration card with hearer's signature, US naturalisation certificate, or a US alien registration card. Canadian citizens must have one of the following: passport, a birth certificate, or a certification of citizenship.

A valid passport is required for citizens of all European countries. Visas are not required except by Eastern bloc nationals and those from Argentina, Nicaragua, Iran and Cuba.

All visitors may remain up to three weeks from arrival. Permission to stay longer granted through immigration officials at Bermuda Airport on arrival. To stay indefinitely, it is necessary to apply in advance to the Chief Immigration Officer, Ministry of Home Affairs, PO Box 1364, Hamilton 5, Bermuda.

Customs Allowances: Import of 200 cigarettes, 50 cigars, 1 lb tobacco, 1.137 litres of spirits, 1.137 litres of wine.

Time: Bermuda is one hour earlier than Eastern Standard Time (one hour earlier than New York and four hours later than London). Daylight Savings Time from the last Sunday in April to last Sunday in October.

Airlines: Air Canada, American, British Air, Delta, Eastern & Far Am.

Car Hire: Not available. Use a taxi or rent a moped.

Business hours: Offices: 09.00-17.30 (Monday to Friday). Shops: 09.00-17.30 (Monday through Saturday) with some local variations. Banks: 09.30-15.00 (Monday through Friday) plus 16.30-17.30 (Friday). The business language is English.

Daily newspaper: Royal Gazette. Weekly papers: Bermuda Sun & Mid-Ocean News (both published Friday).

Climate: Semitropical; December through March average



Compiled by
Rivka Nachoma

temperature 68 deg F; July through September 84 deg F; humidity ranges from 70 to 80 per cent.

Holidays observed: New Year's Day (Jan 1); Good Friday; Easter; Bermuda Day (May 24); the Queen's Birthday (1st or 2nd Monday in June); Cricket Cup match days (Thursday & Friday preceding 1st Monday in Aug); Labour Day (1st Monday in Sept); Christmas Day; Boxing Day (Dec 26).

Public holidays that fall on Saturday or Sunday are usually celebrated on the following Monday.

Water: Tap water is safe to drink.

Electricity: 110 volts, AC, 60 cycles.

Credit cards: Mastercard, Visa, American Express, Diners Club.

Vaccinations: Only smallpox, if arriving within 14 days from an infected country.

Useful addresses/telephone numbers: (when in Bermuda, dial only the last five digits).

Chamber of Commerce: Box 655, Hamilton 5-31/1 (809) 295-4201; Registrar of Companies: Government Administration Building, Parliament Street, Hamilton/1 (809) 295-5151; US Consulate: Vallis Bldg; Front Street, Hamilton/1 (809) 295-1942.

Tourist Information Office: 113 Front Street, Hamilton/1 (809) 295-0023; Bank of Bermuda: Front Street, Hamilton/1 (809) 295-4000; Bermuda Commercial Bank: 44 Church Street, Hamilton/1 (809) 295-5078; General Post

Office: Church Street, Hamilton 1 (809) 295-5151; American Express representative in L.P. Guttridge Bermudaiana Road/1 (809) 295-4545.

Bermuda Pharmacy: Church Street West, Hamilton/Tel: 5-5815.

Additional telephone numbers: Police: 2-2222.

Ambulance: 6-2000.

Hospital: 6-2345.

Time and temperature: 909.

Weather: 877.

"What's on in Bermuda": 974.

Cable and Wireless office: 5-1815.

HOTELS:

The Belmont Hotel and Golf Club: PO Box 257, Warwick 7. Tel: 1 (809) 296 1301.

(Rates, depending on the season, from \$100-\$220 EP). The Bermudaiana Hotel: PO Box 842, Hamilton 5. Tel: 1 (809) 295 1211.

(Rates, depending on the season, from \$80-\$185 EP). The Princess: PO Box 837, Hamilton 5. Tel: 1 (809) 295 3000.

(Rates, depending on the season, from \$100-\$200 EP). Elbow Beach Hotel: PO Box 455, Paget Parish. Tel: 1 (809) 296 3535.

(Rates, depending on the season, from \$102-\$354 MAP). Inverurie Hotel: PO Box 1189, Paget Parish. Tel: 1 (809) 296 1000.

(Rates, depending on the season, from \$75-\$220 MAP). Sonesta Beach: PO Box 1070, Southampton. Tel: 1 (809) 296 8122.

(Rates, depending on the season, from \$150-\$335 MAP). Southampton Princess: PO Box 1370, Southampton. Tel: 1 (809) 298 8000.

(Rates, depending on the season, from \$120-\$275 EP).

RESTAURANTS:

The Airium, (Continental) 37 Reid Street, Hamilton. Tel: 5-8592; Harbourfront: (Seafood) Front Street, Hamilton. Tel: 6-4207; Romano's: (Continental) Church Street, Hamilton. Tel: 5-0333; Lobster Pot: (Seafood) Bermudaiana Road, Hamilton. Tel: 2-6898; Tiana Room: (Continental) Princess Hotel, Hamilton. Tel: 5-3000; Little Venice: (Italian) Bermudaiana Road, Hamilton. Tel: 5-3503; Penthouse: (Continental) Front Street, Hamilton. Tel: 2-3414.

Once Upon a Table: (Continental) 49 Serpentine Road, Hamilton. Tel: 5-8535; The American Cafe: (American) Bermudaiana Hotel, Hamilton. Tel: 5-1211; The Norwood Room: (Continental) St. George's Hotel, Hamilton. Tel: 6-5416; Fourways Inn: (French and Bermudian) Middle Road, Paget. Tel: 6-4517; Carriage House: (Seafood) Somers Wharf, St. George's. Tel: 7-1730; Chopsticks: (Chinese) Water Street, St. George's. Tel: 7-1125.

The Greenhouse: (Continental) Sonesta Beach Hotel, Southampton Parish. Tel: 8-8122; Newport Room: (International) Southampton, Princess Hotel, Southampton. Tel: 8-8000.

TIPPING: To 15 per cent (if not included in the bill); Porters BDS\$1.

Doing business: how the system works

OFFSHORE investors interested in doing business in, or more commonly from, Bermuda, have a choice of three corporate vehicles:

They can either form a local company, an exempted company or a permit company, a type sometimes referred to as a non-resident company.

If the plan is to trade within the island's domestic economy and ultimately hold land in Bermuda, a local incorporation is not just the right vehicle but the only one in all forms of business and own a piece of the colony.

Minimum share capital is \$12,000.

But the deterrent to forming a local company, at least for foreign investors, is the 1981 Companies Act's 60-40 rule which requires at least 60 per cent Bermudian ownership.

Exempted companies, as the term implies, do not have to comply with this requirement. They are the most popular vehicle of the three for non-Bermudian investors and there are close to 5,500 of them currently in operation.

Insurers engaging in general business have to show paid-up capital of at least \$120,000. In the case of long-term business, mainly life or other business written without time limits or for periods exceeding five years, the minimum is \$350,000.

And for those doing a mix of general and long-term business the minimum capital requirement is \$370,000.

Before 1970 exempted companies could be incorporated in Bermuda only by



The Princess Hotel, facing on to Hamilton harbour

Businesses registered in Bermuda*

	Local †	International exempt	International partnership	International non-resident	International non-resident insurance	Total international
1982 ...	1,062	4,939	42	606	30	5,607
1983 ...	1,063	5,163	47	619	30	5,838
1984 ...	1,096	5,250	50	611	27	5,938
1st Q 85	5,359	5,359	50	606	27	6,042
2nd Q 85	1,159	5,250	55	555	27	5,995

* Net of companies in process of liquidation.

† Does not include unincorporated enterprises.

Setting up a business

ROGER SCOTTON

All exempted companies formed must pay stamp duty on minimum capital at incorporation at the rate of 0.4 per cent.

The colony's roughly 600 permit or non-resident companies, by comparison, are companies incorporated outside Bermuda which have been granted a special licence by the Minister of Finance to trade in or from Bermuda.

Examples of these include Commercial Union Assurance, which has been operating on the island for more than a century, and American Casualty Excess Insurance, a catastrophe insurer recently incorporated in the Cayman Islands but which trades from offices in Bermuda.

Before 1970 exempted companies could be incorporated in Bermuda only by

an Act of Parliament. This is still the case for companies seeking powers beyond those provided for in current legislation. But for most companies the usual way is the relatively simple and far quicker process of incorporation by registration.

This involves the publication of an advertisement in an approved Bermuda newspaper stating the proposed company's name, whether it is to be an exempted or a local company and the main objectives of the organisation.

Once the advertisement has appeared, an application to incorporate may be filed with Bermuda's Registrar of Companies in the Ministry of Finance.

Insurance applications are required to give details of their proposed operation while all applications must include a memorandum of association of the company along with bank references.

The application is reviewed by the Registrar and the Bermuda Monetary Authority, which is responsible for foreign exchange control and

BANKS

The Bank of Bermuda, 6 Front Street, Hamilton 5-31. Tel: (809-29) 54000. Telex: 3212 BA. The Bank of Butterfield, 65 Front Street, Hamilton 5-31. Tel: (809-29) 51111. Telex: 3211 BA. The Bermuda Commercial Bank, 44 Church Street, Barclays International Building, Hamilton 5-24. Tel: (809-29) 55678. Telex: 3336 BA.

LEADING LAW FIRMS

Conyers, Dill and Pearman, Clarendon House, Church Street, Hamilton 5. Tel: (809-29) 51422. Appleby Spurling and Kempe, 30 Cedar Avenue, Hamilton. Tel: (809-29) 52244.

ACCOUNTANTS

All the big eight accounting firms have representation in Bermuda, including: Coopers & Lybrand, Dorchester House, Church Street, Hamilton 5. Tel: (809-29) 52000. Arthur Young, 129 Front Street, Hamilton 5. Tel: (809-29) 52400. Touche Ross, PO Box 279, Atlas House, Reid Street, Hamilton. Tel: (809-29) 27200.

CHAMBER OF COMMERCE

Bermuda Chamber of Commerce, PO Box 655, Hamilton 5. Tel: (809-29) 54201. Registrar of Companies: Ministry of Finance, Government Administration Building, Parliament Street, Hamilton. Tel: (809-29) 55151.

maintains strictly confidential files on beneficial ownership.

On insurance applications, the Registrar looks carefully at capital adequacy, premium volume and its relationship to losses, the nature of the business to be written and the proposed reinsurance arrangements.

All insurance-related applications, including underwriting, management and broking operations, are also vetted by the Insurers Admissions Committee—a sub group of the Insurance Advisory Committee formed to advise the Minister of Finance on the application of the island's insurance laws. The admissions group will often require more detailed information about a proposed insurance project and will usually request a meeting with the applicant's representatives.

The entire screening process is usually completed within a month and, with the exception of the more complicated insurance schemes, can often be wrapped up inside two weeks.

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Fidelity International has over US\$4 billion under management for both corporate and private clients and its international investment

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Marketing to meet shortfall

Tourism
ROGER SCOTTON

BERMUDA doesn't ask for many tourists. At mere half a million spending lavishly in the hotels every year and another 120,000 or so aboard visiting cruise ships will keep the economy ticking over quite nicely and the Tourism Minister, Mr. Irving Pearman, reasonably happy.

And it is debatable whether the island's 10,000 to 12,000 hotel bed capacity and limited berthing facilities could cope with many more. Yet in each of the past four years the resort colony has consistently failed to hit the target for hotel guests, by far the most economically important of the two groups, and is likely to be about 50,000 short of it this year.

Since 1980, Bermuda's golden year which saw more than 800,000 spend their holidays and their dollars here, the industry has behaved in roller-coaster fashion.

Appeal

The most commonly-blamed culprits are high domestic prices and the unrelenting strength of the US dollar. Together they have increased the appeal of Mexico and Europe for North Americans who make up the majority of Bermuda's holidaymakers.

Time to alter the product? Not according to Mr. Irving Pearman, the Tourism Minister, who thinks that only the marketing needs to change.

"We are not going to be changing Bermuda and there will not be cheap hotel rates," he says emphatically. "We are reaching for the client who can afford a Bermuda holiday, who is prepared to pay rates 40 per cent or more higher than elsewhere."

He also points out that government has no intention of lifting a 1972 moratorium on hotel construction.

He says cruise ship business has strengthened significantly this year and predicts further

growth in 1986 when liners will be in port seven days a week as opposed to five this year. Many of their passengers go on to become regular visitors to Bermuda, making up roughly 15 per cent of the tourists who fly in for their holidays.

Despite recent research showing that cruise passengers spend more in the island's shops than hotel guests, many businessmen and government officials remain convinced that people who arrive by air are worth more to the economy than those who come by sea.

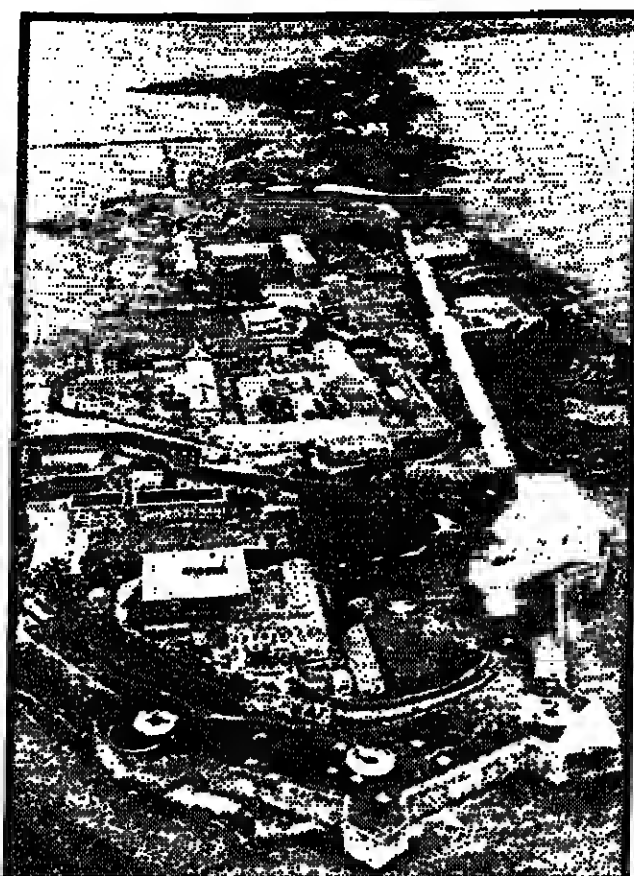
The argument is difficult to fault. Official figures show that \$206.4m was spent in Bermuda by air arrivals in the 1983-84 fiscal year out of total spending of \$332.3m.

Mr. Pearman concedes that the increased cruise ship trade, though always welcome, is a stop gap, a temporary measure to bridge the gap in the industry until the number of hotel guests, a more affluent group confusingly referred to in the trade's jargon as resident visitors, can be built up.

How will he do it? By beefing up marketing and developing a presence in areas of the United States, which he says have never been fully explored for potential.

"We have signed a two-year contract with a major agent in California who will be establishing a Bermuda desk," he explains. "California is our ninth largest supplier of American business. We will also be seeking more support in Florida, which is our seventh largest supplier."

Additionally, a travel agent



Ireland Island, where the dockyard was a key naval link in the days of the British Empire

Incentive scheme has been developed to give agents in the US what Mr. Pearman calls "up-front promotional dollars" for local advertising, as well as the standard 10 per cent commission.

But the industry has not been completely trouble-free. Last month's collapse of the holiday wholesaler Halmar led to an emergency halt-out of several hotels that cost the Government about \$2m. Though the money is to be repaid and Government has been widely praised for

coming to the industry's rescue so promptly, the Halmar affair has raised important questions which have still to be answered. By far the most important of these concerns the future security of holiday business flowing through other wholesalers.

But there remains one, so far elusive, pot of gold which Bermuda would dearly love to get its hands on—the American convention business.

Though too small to cope with the thousands who attend mass gatherings such as the American Bar Association's annual event, Bermuda feels it could easily handle smaller gatherings, particularly during the winter months. But US tax regulations, which do not allow deductions against the cost of conventions held in Bermuda, have kept this lucrative trade away.

But Mr. Pearman now has high hopes that this will change. Legislation presently being introduced in the US Congress would make Bermuda convention expenses tax deductible and the Minister predicts, leave the colony between \$40 and \$50m a year better off.

Bermuda tourism

Arrivals (000s)	1982	1983	1984
US	489.6	500.2	463.3
Canada	32.0	37.8	39.5
UK	19.3	16.6	15.0
Europe	6.1	7.4	6.0
All other countries	6.4	5.7	5.0
Total	544.4	567.7	529.8
Number of hotels	9,578	9,602	9,502
Average stay (nights)	5.2	5.0	4.9
Visitors' expenditure (\$m)	304	335	337
Hotel occupancy rate (%)	59	64	60

Research: Rivka Nachema.

Revenues still rising

Shipping register
KEVIN STEVENSON

BERMUDA's shipping register is expected to top the 700,000 ton mark by the end of this year, the first time in five years the registry has reached seven figures.

A spokesman for the Government's Registry of Shipping Department said there were a total of 78 commercial vessels registered in Bermuda totalling 904,760 gross tons. More tonnage is in the works.

"We've had a very good year," says Mr. Ron Ross, principal marine surveyor, who adds that revenues from the registry should exceed \$500,000 this year—well above the original estimate of \$350,000.

The registry had hovered between the 700,000-850,000 ton level for the past several years. Previously, it had exceeded the 2m tons mark, but dropped precipitously to less than 435,000 tons in 1982 at the height of the Vietnamese refugee problem.

But the difficulties facing the Bermuda register appear to be over. The Bermuda Government embarked on a modest rebuilding campaign and in 1983 alone total tonnage more than doubled, pushing Bermuda past the Bahamas as the sixth largest "Flag of Convenience" registry. That year the Shipping Registry posted a profit of \$425,480 on total revenues of \$538,590.

A total of 14 ships came on to the register over the past 12 months, representing 351,590 tons gross. Over the same period six ships totalling 181,760 tons gross were taken off the register.

As a result of the recent growth, the Government is in the process of hiring an engineer and ship's surveyor, in addition to two more surveyors, effectively doubling the existing staff.

The recent upsurge in tonnage underscores the growing popularity of Bermuda as an alternative registry to ship owners in the UK, who have seen their registry decline in recent years.

Bermuda remains a part of the British registry through the Merchant Shipping Act of 1894. Only six were ever resettled in Bermuda as a consequence of the UK Government ruling that the island should bear some responsibility. But the Bermuda Government was quick to point out it would disband the register unless a long-term solution was found.

A temporary stop-gap solution was found when the Bermuda Government announced it would discourage owners from registering ships there if

manning levels, safety requirements and operations.

Indeed, the Bermuda Government is currently applying to have the UK extend four major marine conventions, which would bring the Bermuda registry on par with the UK registry.

The conventions are the Safety at Sea 1974 (SOLAS), Marine Pollution 1973 (MARPOL), Standard of Training, Certification or Watchkeepers 1978 (STCW), and International Labour Organisation 147 (ILO 147) which provides for welfare of crew requirements.

If the Bermuda Government is successful, the Bermuda registry would fall into Category "A", allowing almost any kind of commercial vessel to be registered in the island.

Already, Mr. Ross reports, inquiries have been made by shipowners with vessels registered in Liberia and Panama. He believes the key to success is political and economic stability.

Because Bermuda is still a UK colony Bermuda-registered vessels must be owned by UK or Commonwealth countries. That would change if the island became independent, with the possibility that the Bermuda registry could challenge other, much more established registries to less stable countries.

"If independence comes the Bermuda registry could increase sharply," said Mr. Easing Nasse, designer of the OBO (ore/bulk/oil) carrier.

Benefits

Despite the nationality restrictions, the Bermuda registry had in excess of 2m tons gross in 1979. The financial benefits were obvious. The small Registry of Shipping Office has in recent years employed just three people. In 1979-80 it made a small profit of \$56,000.

Then the bubble burst owing to the unforeseen magnitude of the Vietnamese refugee problem. There exists the unwritten law of the sea which states that refugees picked up at sea should be taken to the country of the rescuing flag. In a two-year period 1980-82, a total of six Bermuda-registered vessels picked up dozens of refugees escaping Vietnam.

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Satellite link aids business customers

Communications
PAUL TAYLOR

BERMUDA'S location, in the middle of the Western Atlantic, has made the island an important telecommunications centre—as well as a vital strategic base for the US and Nato.

The island's role as a telecommunications centre is strikingly highlighted by Cable & Wireless's new 120-ft high earth station satellite dish commissioned last year. The Marconi communications systems state-of-the-art Standard "A" earth station is at the hub of Cable & Wireless's Bermuda international telecommunications network providing access to an Intelsat V satellite in geostationary orbit 22,375 miles above the Equator over the Atlantic Ocean.

In conjunction with three submarine cables that link Bermuda to the US, Canada and the Caribbean, the Devonshire earth station provides Bermuda with sophisticated voice and data communication links with the rest of the world—as well as improving the island's ability to help track NASA space shuttle launches down-range from the Kennedy Space Centre in Florida.

For the UK-based Cable & Wireless group, which began operations in Bermuda 95 years ago, the \$20m earth station is the latest in a series of major investments in Bermuda aimed at keeping pace with the rapidly expanding demand for telecommunications services and with technological requirements of the island's off-shore businesses.

According to Mr. Cornell Fox, Cable & Wireless's local marketing manager, international telephone traffic has been growing at 14 per cent annually over the last two years—down from a heady 17 per cent growth rate previously—while the telex traffic generated by the island's 540 telex customers has "levelled off", resulting in the movement towards computer-based electronic mail.

To meet this demand Cable & Wireless offers high-speed data-links for business customers and markets a service called International Database Access Service (IDAS) which allows customers to access North American electronic databases such as Dow Jones news retrieval and Reuters as well as remote computer processing facilities and electronic mail systems like Easyslink run by Western Union.

In addition, the Devonshire earth station provides the ability to provide live television links with the rest of the world and the capacity for teleconferencing.

To provide the link to Ber-

muda's local telephone service, a fibre-optic cable has been laid between the Devonshire site and Hamilton which ties into the Bermuda telephone company's digital exchange.

Overall, Bermuda's local and international telecommunications services win high praise from local business leaders. Under a new 11-year licence agreement signed this summer, Cable & Wireless's international traffic also generates volume-based revenues for the Bermuda Government for the first time.

Bermuda's role as a strategic base for the US and Nato is somewhat more controversial locally—even though the military presence is very "low profile".

The island has played an important defence role for many years, first for the British and now for the Americans and Nato. As British interest in her colonial possessions has waned the American military presence has grown.

Today Bermuda provides a base for refuelling NATO ships and submarines and is a key link in US and Nato surveillance of the Western Atlantic. Kindley Field US naval air station was leased to the US by the British in 1941 and, together with a naval air station annexed at the other end of the island, represents the most visible evidence of the 4,000-strong American military presence.

Patrol

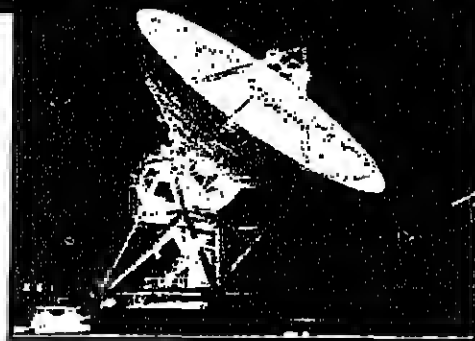
The jets which bring tourists to the island land at the civilian-end of Kindley Airfield, maintained at an estimated \$20m-a-year cost by the US Navy, and take-off past groups of black-nosed turkeys—US Navy aircraft whose main job is to patrol the Western Atlantic keeping watch over Soviet missile-carrying submarines.

Trade union opponents of the US military presence complain that Bermuda has become a 22-mile-long "aircraft carrier" and that, in the process, Bermuda has become a prime military target in the event of war.

But most senior politicians and businessmen are philosophical about playing host to the US Navy and Nato. Premier John Swan notes that the relationship with the US is one of "reciprocity" and disputes that the military presence "generates any 'air'". He argues forcibly that "the base is an asset because it operates the airport," and that Bermuda—because of its geographical and strategic position—forms an important integral part of the Nato alliance.

Indeed, some Bermuda businessmen go further, suggesting that the island may have the best of both worlds. As Mr. Donald Lines, Bank of Bermuda's chief general manager, puts it: "We have American security under the British flag."

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